

**NEW ORLEANS
CHARTER SCHOOLS FOUNDATION**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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**OMB CIRCULAR A-133 COMPLIANCE AND *GOVERNMENT AUDITING*
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Orleans Charter Schools Foundation
New Orleans, Louisiana

We have audited the accompanying Statements of Financial Position of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") d/b/a McDonogh City Park Academy as of June 30, 2012 and 2011, and the related Statements of Activities, Cash Flows and Functional Expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Charter Schools Foundation as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 17, 2012 on our consideration of New Orleans Charter Schools Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Consolidating Statements of Financial Position and Activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Foundation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, LLC

October 17, 2012

FINANCIAL STATEMENTS

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 787,999	\$ 908,130
Prepaid expenses	32,578	13,803
Accounts receivable, net	<u>243,556</u>	<u>166,931</u>
Total Current Assets	<u>1,064,133</u>	<u>1,088,864</u>
 Non-Current Assets:		
Property and equipment, net	<u>89,109</u>	<u>149,117</u>
Total Assets	<u><u>\$ 1,153,242</u></u>	<u><u>\$ 1,237,981</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 152,003	\$ 117,734
Accrued expenses	<u>87,166</u>	<u>132,627</u>
Total Current Liabilities	<u>239,169</u>	<u>250,361</u>
Total Liabilities	<u>239,169</u>	<u>250,361</u>
 Net Assets:		
Unrestricted	<u>914,073</u>	<u>987,620</u>
Total Net Assets	<u>914,073</u>	<u>987,620</u>
Total Liabilities and Net Assets	<u><u>\$ 1,153,242</u></u>	<u><u>\$ 1,237,981</u></u>

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Public Support and Other Revenues		
Local sources	\$ 1,672,216	\$ 1,709,132
State sources	1,396,275	1,417,566
Federal sources	1,044,927	882,519
In-kind donation	80,300	80,300
Donations and contributions	32,218	82,329
Miscellaneous income	14,818	26,484
	4,240,754	4,198,330
Expenses		
Program services:		
Instructional	2,227,405	2,271,128
Supporting services:		
Management and general	2,069,395	1,860,961
Non-Instructional services:		
Other services	17,501	17,473
	4,314,301	4,149,562
Increase (Decrease) in Unrestricted Net Assets	(73,547)	48,768
Net assets at beginning of fiscal year	987,620	938,852
Net assets at end of fiscal year	\$ 914,073	\$ 987,620

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (73,547)	\$ 48,768
Depreciation expense	60,008	74,837
Decrease (increase) in operating assets:		
Accounts receivable	(76,625)	115,199
Prepaid expenses	(18,775)	(13,803)
Increase (decrease) in operating liabilities:		
Accounts payable	34,269	47,528
Accrued expenses	(45,461)	39,392
	<u>(120,131)</u>	<u>311,921</u>
Net cash provided by (used in) operating activities		
	(120,131)	311,921
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>908,130</u>	<u>596,209</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 787,999</u>	<u>\$ 908,130</u>

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>NON- INSTRUCTIONAL SERVICES</u>	<u>Total</u>
	<u>Instructional</u>	<u>Management And General</u>	<u>Other Services</u>	
Expenses:				
Regular education programs	\$ 1,971,729	\$ -	\$ -	\$ 1,971,729
School administration	-	620,815	-	620,815
Student transportation	-	353,706	-	353,706
Instructional staff services	-	320,348	-	320,348
Operation and maintenance of plant services	-	305,180	-	305,180
Special education programs	249,792	-	-	249,792
Pupil support services	-	130,511	-	130,511
General administration	-	124,109	-	124,109
Business services	-	114,856	-	114,856
Office expenses	-	80,300	-	80,300
Central services	-	19,570	-	19,570
Food services	-	-	12,118	12,118
Other instructional programs	5,884	-	-	5,884
Site improvement	-	-	4,791	4,791
Community service operations	-	-	592	592
	<u>\$ 2,227,405</u>	<u>\$ 2,069,395</u>	<u>\$ 17,501</u>	<u>\$ 4,314,301</u>

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>NON- INSTRUCTIONAL SERVICES</u>	<u>Total</u>
	<u>Instructional</u>	<u>Management And General</u>	<u>Other Services</u>	
Expenses:				
Regular education programs	\$ 2,053,210	\$ -	\$ -	\$ 2,053,210
School administration	-	550,872	-	550,872
Operation and maintenance of plant services	-	459,615	-	459,615
Special education programs	197,568	-	-	197,568
Food services	-	-	12,568	12,568
Business services	-	116,703	-	116,703
Student transportation	-	317,655	-	317,655
Central services	-	28,560	-	28,560
Instructional staff services	-	172,897	-	172,897
General administration	-	81,797	-	81,797
Pupil support services	-	52,562	-	52,562
Office expenses	-	80,300	-	80,300
Other instructional programs	20,350	-	-	20,350
Community service operations	-	-	72	72
Site improvement	-	-	4,833	4,833
	<u>\$ 2,271,128</u>	<u>\$ 1,860,961</u>	<u>\$ 17,473</u>	<u>\$ 4,149,562</u>

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") was incorporated in March 2006 for the purpose of operating charter schools in New Orleans. The Louisiana State Board of Elementary and Secondary Education (BESE) granted the Foundation two (2) Type 5 charters to operate McDonogh City Park Academy (the "Academy") and New Orleans Free Academy, pursuant to Louisiana Revised Statute 17:3971 et seq. The charters were valid until June 30, 2011. BESE is responsible for evaluating the performance of the academies and has the authority to deny renewal of the contracts at their expiration or terminate the contracts prior to their expiration. New Orleans Free Academy's charter was voluntarily surrendered to BESE on June 30, 2009. On May 17, 2011, the charter for McDonogh City Park Academy was extended three years through June 30, 2014. All assets and lease agreements associated with the New Orleans Free Academy have reverted back to the Recovery School District (RSD), except for cash and cash equivalents in the amount of \$53,390 held in the New Orleans Free Academy's bank account. The Foundation is in the process of trying to ascertain if the funds should revert back to the State of Louisiana, the Recovery School District, or remain with the organization.

The Foundation operates under the direction of a ten-member board of directors. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by 33 certified full-time teaching personnel who provide services to 407 students.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The allocation between the functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook (LAUGH).

Income Tax Status

The Foundation is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue

The Foundation receives its support primarily from the Louisiana State Department of Education and the United States Department of Education. Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give which are estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support. The Foundation uses the direct write-off method of writing off uncollectible receivables.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Accounts receivable make up a significant portion of the Foundation's current assets. The Foundation's management has determined these receivables are fully collectible as of June 30, 2012, and therefore no allowance for uncollectible accounts has been recorded.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Foundation follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basis financial statements and classification of resources into three separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the Foundation.

Property and Equipment

Property and equipment is capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated property and equipment is recorded at fair market values as of the date received. The Foundation maintains a capitalization threshold of \$5,000 for furniture and equipment, land, and leasehold improvements, or any one item costing under \$5,000 alone but purchased in a group for over \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported property and equipment except land is depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	life of lease or 5 years, whichever is greater
Furniture, fixtures, and equipment	3-7 years

Due to Student Groups

Amounts classified as due to student groups are funds raised by student groups for use in group activities. These amounts are not recorded in the Statements of Activities. The funds are segregated and held for the students.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through October 17, 2012, the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The Foundation's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the fiscal year ended June 30, 2012.

NOTE 3 – CONTRACTS RECEIVABLE

At June 30, 2012 and 2011, there were contracts receivable of \$47,097, respectively, from The Leona Group, LLC (TLG) for the reimbursement of the cost of services to McDonogh City Park Academy, pursuant to a Management Agreement discussed more fully in Note 9 below. These amounts were included in accounts receivable. Due to the uncertainty of receipt of the amounts due, the Foundation has created an allowance for uncollectible receivables for the full amount of \$47,097.

NOTE 4 – PROPERTY AND EQUIPMENT

The cost of property and equipment is summarized as follows:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 23,118	\$ 23,118
Furniture, fixtures, and equipment	340,462	340,462
Less accumulated depreciation	<u>(274,471)</u>	<u>(214,463)</u>
Net carrying amount	<u>\$ 89,109</u>	<u>\$ 149,117</u>

Depreciation expense was \$60,008 and \$74,837, respectively, for the years ended June 30, 2012 and 2011.

NOTE 5 – RETIREMENT PLAN

Substantially all employees of the Foundation participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost-sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 – RETIREMENT PLAN (CONTINUED)

issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age 60; otherwise, benefits vest after 20 years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll and the Foundation is required to contribute 23.7% and 20.2% of the annual covered payroll of each participating employee for the years ending June 30, 2012 and 2011, respectively. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the years ended June 30, 2012 and 2011, the Foundation's contributions to this plan totaled \$362,144 and \$296,627, respectively.

NOTE 6 – COMPENSATED ABSENCES

School-Based Employees:

All school-based employees are granted five (5) paid time off (PTO) days at the beginning of each year. These days are to be used in case of illness or any other reason an employee needs a day off. If an employee starts after the beginning of the school year, personal leave/sick days are pro-rated. School-based employees may be paid \$100 per day for every unused day. Unused days are reported to TRSL upon termination of employment.

Funding Policy:

School Support Center (SSC) staff work throughout the year and observe school holidays. All full time Foundation SSC staff earns a minimum total of twenty (20) days PTO (a combination of fifteen (15) vacation days and five (5) sick days) per year. Unused sick days are reported to TRSL upon termination of employment. School Support Center staff may request a pay-out of up to five (5) unused vacation days at the end of the fiscal year, and may also carry over up to five (5) vacation days, with a maximum allowed balance of 160 hours. Any hours that exceed 160 will be forfeited.

NOTE 7 - CONTINGENCIES

State Funding - The continuation of the Academy is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 7 – CONTINGENCIES (CONTINUED)

appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

NOTE 8 – LEASE AGREEMENT

The Foundation has entered into a rent-free lease with the RSD for the period from July 1, 2007 through June 30, 2009 for the use of the Academy's main buildings, gymnasiums, and grounds as school facilities. The rent-free lease for McDonogh City Park Academy automatically extended upon the two-year extension of the Academy's charter, discussed in Note 1. The extension will terminate on June 30, 2014. The amount of the rent-free leases has been valued based on a schedule included in the signed lease agreements indicating fees that would be charged to nonprofit organizations for rental of the building totaling \$80,300 for each of the years ending June 30, 2012 and 2011, which is included in office expenses.

The Foundation is responsible for the payment of utilities, janitorial, disposal services, and property taxes.

The RSD may move the Academy, at the end of the extension, to other facilities as deemed necessary, taking into consideration such factors as building capacity, design alignment with grade levels served by the academies, projected enrollment, program specific needs, and community needs.

The Foundation may terminate this agreement upon 30 days' notice to locate its school in a non-RSD facility.

The RSD may terminate this agreement with cause prior to the end of the specified term in the event the Foundation fails to remedy a material breach within a period reasonable under the circumstances, but not less than 15 days after notice from the RSD.

NOTE 9 – MANAGEMENT AGREEMENT

The Foundation entered into a three-year contract, with renewal options, for each academy, effective July 1, 2006 through June 30, 2009, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the academies. The Foundation did not renew the management contract with TLG upon the conclusion of the initial three-year term on June 30, 2009. The Foundation began self-management on July 1, 2009. The Foundation is contesting certain management fees charged by TLG due to TLG's alleged nonperformance of certain services. The Foundation and TLG have

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 9 – MANAGEMENT AGREEMENT (CONTINUED)

not resolved, nor pursued, a resolution to these matters. As of the date of this report, the Foundation does not believe there is significant, if any, liability related to the nonrenewal of this contract. Consequently, the Foundation has not shown any accruals for possible costs in the financial statements.

NOTE 10 – SIGNIFICANT CONCENTRATIONS

For the years ended June 30, 2012 and 2011, the Foundation received approximately 25% and 21%, respectively, of its total revenue from federal sources and approximately 33% and 34%, respectively, of its total revenue from state public school funds.

NOTE 11 – UNCERTAIN TAX POSITIONS

Accounting principles generally accepted in the United States of America require the Foundation's management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation's management believes it is no longer subject to income tax examinations for years prior to 2009.

SUPPLEMENTAL INFORMATION

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

June 30, 2012

	New Orleans Free Academy	McDonogh City Park Academy	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 53,126	\$ 734,873	\$ 787,999
Prepaid expenses	-	32,578	32,578
Accounts receivable	-	243,556	243,556
	53,126	1,011,007	1,064,133
Non-Current Assets:			
Property and equipment (net of depreciation)	-	89,109	89,109
	53,126	1,100,116	\$ 1,153,242
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ -	\$ 152,003	\$ 152,003
Accrued expenses	-	87,166	87,166
	-	239,169	239,169
	-	239,169	239,169
Net Assets:			
Unrestricted	53,126	860,947	914,073
	53,126	860,947	914,073
	\$ 53,126	\$ 1,100,116	\$ 1,153,242

See accompanying notes to financial statements.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	<u>New Orleans Free Academy</u>	<u>McDonogh City Park Academy</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
Public Support and Other Revenues			
Local sources	\$ -	\$ 1,672,216	\$ 1,672,216
State sources	-	1,396,275	1,396,275
Federal sources	-	1,044,927	1,044,927
In kind donation	-	80,300	80,300
Donations and contributions	-	32,218	32,218
Miscellaneous	-	14,818	14,818
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	-	4,240,754	4,240,754
Expenses			
Program services:			
Instructional	-	2,227,405	2,227,405
Supporting services:			
Management and general	-	2,069,395	2,069,395
Non-Instructional services:			
Other services	-	17,501	17,501
	<hr/>	<hr/>	<hr/>
Total Expenses	-	4,314,301	4,314,301
	<hr/>	<hr/>	<hr/>
Decrease in Unrestricted Net Assets	-	(73,547)	(73,547)
	<hr/>	<hr/>	<hr/>
Net Assets at Beginning of Fiscal Year	53,126	934,494	987,620
	<hr/>	<hr/>	<hr/>
Net Assets at End of Fiscal Year	<u>\$ 53,126</u>	<u>\$ 860,947</u>	<u>\$ 914,073</u>

See accompanying notes to financial statements.

PERFORMANCE STATISTICAL DATA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
New Orleans Charter Schools Foundation
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Foundation and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. The Foundation is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule K-1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Education Levels of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule K-2)

2. We reconciled the total number of full-time classroom teachers per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule K-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1, 2011.
3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule K-4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2011 and as reported on the schedule. We traced a random sample of 25 teachers to the individual’s personnel file and determined that the individual’s education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule K-3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2011 and as reported on the schedule and traced the same sample used in procedure 4 to the individual’s personnel file and determined that the individual’s experience was properly classified on the schedule.

Public Staff Data (Schedule K-5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual’s personnel file and determined that the individual’s salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule K-6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule K-3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2011 roll books for those classes and determined that the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule K-7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School System.

Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule K-9)

11. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by the School System.

We noted the following exceptions as a result of applying the above procedures:

Education Levels of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule K-2)

Finding:

We noted two (2) instances where the employee education level was incorrect. The teachers were listed as having a Master's degree per the October 1, 2011 PEP report, but their personnel file indicated they had a Bachelor's degree as of October 1, 2011.

Corrective Action Plan:

Both teachers are in possession of their Master's degrees, and that information was listed on their teaching certificates. Copies of the actual degrees and/or confirmation of the degrees have been placed in their file, which is now a requirement for an employee file to be considered complete.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

Finding:

We noted one (1) instance where the employee years of experience was incorrect. The principal was listed as having 14 years of experience per the October 1, 2011 PEP report, but their personnel file indicated they had 17 years of experience.

Corrective Action Plan:

The Director of Finance and Operations, or a designee, will review all employee files and compare the documentation to the PEP file.

Public School Staff Data (Schedule K-5)

Finding:

We noted two (2) instances where the teachers' reported salary was incorrect per the June 30, 2012 PEP report. The salaries reported on the June 30, 2012 PEP report was the original contract salary, however both of these teachers were given raises due to an increase in education level during the year and the actual salary paid was more than reported.

Corrective Action Plan:

The PEP report will be reviewed and updated as needed at the conclusion of the school year by the Coordinator of School Services. Additionally, the PEP report will be reviewed semiannually by the Director of Finance and Operations.

Public School Staff Data (Schedule K-5)

Finding:

We noted one (1) instance where an employee's employee type was incorrect on the October 1, 2011 and June 30, 2012 PEP report. The employee was recorded as part time when they should have been recorded as full time.

Corrective Action Plan:

The PEP report will be reviewed and updated as needed at the conclusion of the school year by the Coordinator of School Services. Additionally, the PEP report will be reviewed semiannually by the Director of Finance and Operations.

Public School Staff Data (Schedule K-5)

Finding:

We noted two (2) instances where the teachers' reported annual minutes worked were incorrect per the June 30, 2012 PEP report. The annual minutes reported on the June 30, 2012 PEP report was the contract amount, however both of these teachers did not work a full year and the actual minutes worked were less than reported.

Corrective Action Plan:

The PEP report will be reviewed and updated as needed at the conclusion of the school year by the Coordinator of School Services. Additionally, the PEP report will be reviewed semiannually by the Director of Finance and Operations.

Public School Staff Data (Schedule K-5)

Finding:

We noted one (1) instance where the teachers' start dates and end date worked were incorrect per the June 30, 2012 PEP report. The employment dates reported on the June 30, 2012 PEP report was the contract amount, however this teacher did not work a full year.

Corrective Action Plan:

The PEP report will be reviewed by the Director of Finance and Operations semiannually.

Public School Staff Data (Schedule K-5)

Finding:

We noted one (1) instance where the teachers' personnel file did not include a copy of his/her photo ID or social security card/birth certificate.

Corrective Action Plan:

All employee files will now be required to include an Employment Checklist with certain items to be checked at the beginning of employment and at employment termination. This checklist will be completed by the Coordinator of School Services and reviewed by the Director of Finance and Operations, or a designee.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Foundation, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

October 17, 2012

NEW ORLEANS CHARTER SCHOOLS FOUNDATION Schedule K-1 NEW ORLEANS, LOUISIANA

General Fund Instructional and Support Expenditures Certain Local Revenue Sources For the Year Ended June 30, 2012

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:		
Classroom teacher salaries	\$ 1,012,393	
Other instructional staff activities	-	
Employee benefits	277,083	
Purchased professional and technical services	890	
Instructional materials and supplies	38,653	
Less instructional equipment	(13,149)	
Total teacher and student interaction activities		\$ 1,315,870
Other instructional activities		4,117
Pupil support activities	\$ 16,385	
Less equipment for pupil support activities	-	
Net pupil support activities		16,385
Instructional Staff Services	\$ 104	
Less equipment for instructional staff services	-	
Net instructional staff services		104
School Administration	\$ 412,748	
Less: Equipment for School Administration	-	
Net school administration		412,748
Total general fund instructional expenditures		\$ 1,749,224
Total general fund equipment expenditures		\$ 13,149

Certain Local Revenue Sources:

This section is not applicable to New Orleans Charter Schools Foundation.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NEW ORLEANS, LOUISIANA**

Schedule K-2

**Education Level of Public Principals, Assistant Principals, and Full-Time Classroom Teachers
As of October 1, 2011**

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	17	59%	1	100%	-	-	-	-
Master's Degree	12	41%	-	-	-	-	1	100%
Master's Degree +30	-	-	-	-	1	100%	-	-
Specialist in Education	-	-	-	-	-	-	-	-
Ph. D. or Ed. D.	-	-	-	-	-	-	-	-
Total	29	100%	1	100%	1	100%	1	100%

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NEW ORLEANS, LOUISIANA**

Schedule K-3

**Number and Type of Public Schools
For the Year Ended June 30, 2012**

Type	2011
	Number
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
Total	1

Note: Schools opened or closed during the fiscal year are included in this schedule.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NEW ORLEANS, LOUISIANA**

Schedule K-4

**Experience Levels of Public Principals, Assistant Principals, and Full-Time Classroom Teachers
As of October 1, 2011**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	-	-	-	-	-	1	-	1
Classroom Teachers	5	6	11	2	2	1	3	30
Principals	-	-	-	-	1	-	-	1
Total	5	6	11	2	3	2	3	32

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NEW ORLEANS, LOUISIANA**

Schedule K-5

Public School Staff Data

2011-2012 School Year

	All Classroom Teachers	Classroom Teachers Excluding ROTC And Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$ 51,778	\$ 51,902
Average Classroom Teacher's Salary Excluding Extra Compensation	\$ 51,778	\$ 51,902
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	33	29

Note: Figures reported include all sources of funding (i.e. federal, state and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION SCHEDULE K-6
NEW ORLEANS, LOUISIANA

Class Size Characteristics
As of October 1, 2011

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	18%	24	82%	107	-	-	-	-
Elementary Activity Classes	23%	5	77%	17	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Years Ended June 30, 2012, 2011, 2010

District Achievement Level Results	English						Mathematics						Science						Social Studies					
	2012		2011		2010		2012		2011		2010		2012		2011		2010		2012		2011		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4																								
Advanced	1	2%	-	0%	3	7%	2	5%	1	2%	-	0%	1	2%	-	0%	-	0%	-	0%	-	0%	-	0%
Mastery	9	21%	11	25%	10	23%	4	10%	7	16%	9	21%	2	5%	-	0%	1	2%	-	0%	4	9%	1	2%
Basic	18	43%	19	44%	13	29%	17	40%	17	39%	23	54%	9	21%	16	37%	20	47%	19	45%	16	36%	22	51%
Approaching Basic	10	24%	9	20%	7	16%	11	26%	8	18%	4	9%	23	55%	12	27%	13	30%	11	26%	11	25%	5	12%
Unsatisfactory	4	10%	5	11%	11	25%	8	19%	11	25%	7	16%	7	17%	16	36%	9	21%	12	29%	13	30%	15	35%
Total	42	100%	44	100%	44	100%	42	100%	44	100%	43	100%	42	100%	44	100%	43	100%	42	100%	44	100%	43	100%
Grade 8																								
Advanced	-	0%	-	0%	1	3%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Mastery	2	5%	2	6%	2	5%	2	5%	-	0%	1	3%	6	15%	3	9%	3	8%	-	0%	1	3%	1	3%
Basic	15	37%	16	50%	16	42%	13	33%	10	31%	17	45%	9	23%	6	19%	10	26%	13	33%	15	47%	19	50%
Approaching Basic	18	45%	12	38%	16	42%	15	37%	17	53%	10	26%	16	41%	18	56%	18	48%	13	33%	12	38%	10	26%
Unsatisfactory	5	13%	2	6%	3	8%	10	25%	5	16%	10	26%	8	21%	5	16%	7	18%	13	34%	4	12%	8	21%
Total	40	100%	32	100%	38	100%	40	100%	32	100%	38	100%	39	100%	32	100%	38	100%	39	100%	32	100%	38	100%

Integrated Louisiana Educational Assessment Program (ILEAP)
For the Years Ended June 30, 2012, 2011, 2010

District Achievement Level Results	English						Mathematics						Science						Social Studies											
	2012		2011		2010		2012		2011		2010		2012		2011		2010		2012		2011		2010							
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent						
Grade 3																														
Advanced	1	2%	-	0%	1	2%	3	7%	2	4%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%		
Mastery	8	18%	5	11%	9	20%	5	11%	2	4%	4	9%	3	7%	2	4%	3	7%	6	13%	1	2%	2	4%	2	4%	2	4%		
Basic	21	46%	13	27%	18	39%	17	38%	16	34%	20	43%	20	44%	13	28%	13	28%	18	40%	16	34%	20	44%	18	40%	16	34%		
Approaching Basic	8	18%	21	45%	11	24%	9	20%	12	26%	11	24%	17	38%	23	49%	24	52%	14	31%	15	32%	18	39%	15	32%	18	39%		
Unsatisfactory	7	16%	8	17%	7	15%	11	24%	15	32%	11	24%	5	11%	9	19%	6	13%	7	16%	15	32%	6	13%	6	13%	6	13%		
Total	45	100%	47	100%	46	100%	45	100%	47	100%	46	100%	45	100%	47	100%	46	100%	45	100%	47	100%	46	100%	45	100%	47	100%		

District Achievement Level Results	English						Mathematics						Science						Social Studies											
	2012		2011		2010		2012		2011		2010		2012		2011		2010		2012		2011		2010							
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent						
Grade 5																														
Advanced	1	2%	-	0%	-	0%	1	2%	2	5%	-	0%	-	0%	-	0%	-	0%	1	2%	-	0%	2	4%	5	11%	6	12%		
Mastery	5	12%	6	14%	5	10%	2	5%	4	8%	2	4%	3	7%	4	9%	2	4%	3	7%	5	11%	6	12%	5	11%	6	12%		
Basic	11	26%	14	32%	19	39%	10	23%	14	32%	22	45%	6	14%	18	41%	23	48%	17	40%	18	41%	22	45%	17	40%	22	45%		
Approaching Basic	13	30%	15	34%	20	41%	6	14%	7	16%	13	27%	24	56%	11	25%	12	24%	13	30%	14	32%	11	23%	13	30%	14	32%		
Unsatisfactory	13	30%	9	20%	5	10%	24	56%	17	39%	12	24%	10	23%	11	25%	12	24%	9	21%	7	16%	8	16%	9	21%	8	16%		
Total	43	100%	44	100%	49	100%	43	100%	44	100%	49	100%	43	100%	44	100%	49	100%	43	100%	44	100%	49	100%	43	100%	44	100%		

District Achievement Level Results	English						Mathematics						Science						Social Studies											
	2012		2011		2010		2012		2011		2010		2012		2011		2010		2012		2011		2010							
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent						
Grade 6																														
Advanced	-	0%	-	0%	-	0%	1	3%	-	0%	1	3%	1	3%	-	0%	-	0%	1	3%	3	6%	1	3%	3	6%				
Mastery	4	9%	6	11%	2	5%	4	10%	4	8%	-	0%	3	8%	8	15%	3	8%	-	0%	7	13%	3	8%	7	13%				
Basic	19	48%	23	44%	17	45%	15	37%	18	35%	15	39%	21	52%	22	42%	14	37%	26	64%	31	60%	18	47%	26	64%				
Approaching Basic	8	20%	18	35%	13	34%	9	23%	9	17%	9	24%	12	29%	19	37%	13	34%	7	18%	8	15%	14	37%	7	18%				
Unsatisfactory	9	23%	5	10%	6	16%	11	27%	21	40%	13	34%	3	8%	3	6%	8	21%	6	15%	3	6%	2	5%	6	15%				
Total	40	100%	52	100%	38	100%	40	100%	52	100%	38	100%	40	100%	52	100%	38	100%	40	100%	52	100%	38	100%	40	100%				

District Achievement Level Results	English						Mathematics						Science						Social Studies											
	2012		2011		2010		2012		2011		2010		2012		2011		2010		2012		2011		2010							
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent						
Grade 7																														
Advanced	-	0%	-	0%	-	0%	1	2%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	1	3%				
Mastery	7	15%	2	5%	1	3%	4	8%	3	7%	2	6%	6	13%	2	5%	-	0%	6	13%	2	5%	2	5%	2	6%				
Basic	19	39%	11	26%	16	44%	19	40%	8	19%	20	55%	22	46%	11	26%	17	47%	17	35%	18	42%	16	44%	17	40%				
Approaching Basic	14	29%	20	46%	15	42%	17	35%	13	30%	8	22%	13	26%	20	46%	12	34%	17	35%	10	23%	8	22%	17	40%				
Unsatisfactory	8	17%	10	23%	4	11%	7	15%	19	44%	6	17%	7	15%	10	23%	7	19%	8	17%	13	30%	9	25%	8	22%				
Total	48	100%	43	100%	36	100%	48	100%	43	100%	36	100%	48	100%	43	100%	36	100%	48	100%	43	100%	36	100%	48	100%				

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Directors
New Orleans Charter Schools Foundation
New Orleans, Louisiana

We have audited the financial statements of New Orleans Charter Schools Foundation (a nonprofit organization) (the “Foundation”), as of and for the year ended June 30, 2012 and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

October 17, 2012

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
New Orleans Charter Schools Foundation
New Orleans, Louisiana

Compliance

We have audited the New Orleans Charter Schools Foundation’s (a nonprofit organization) (the “Foundation”) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation’s major federal programs for the year ended June 30, 2012. The Foundation’s major federal programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation’s management. Our responsibility is to express an opinion on the Foundation’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation’s compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

October 17, 2012

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

<u>Federal Grantor/ Program Title/ Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>		
<i>Passed-through Louisiana Department of Education:</i>		
Title I Grants to Local Educational Agencies (LEAs)	84.010	\$ 403,107
Title II Improving Teacher Quality State Grants*	84.367	46,899
Special Education - Grants to States (IDEA, Part A)	84.027	90,080
Special Education – Grants to States (Preschool)	84.173	1,012
Katrina Foreign Contributions	84.940	3,383
Education Jobs Supplement	84.410	1,223
School Improvement 1003 (g)*	84.377	45,203
Education for Homeless Children and Youth	84.387	202
School Improvement Grants – Recovery Funds*	84.388	<u>453,818</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>\$ 1,044,927</u>

*Identified as a major program.

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

NEW ORLEANS CHARTER SCHOOLS FOUNDATION
NOTE TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2012

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the financial statements of New Orleans Charter Schools Foundation (a nonprofit organization) (the “Foundation”).
2. No instances of noncompliance material to the financial statements of the Foundation were disclosed and identified during the audit.
3. No significant deficiencies relating to the audit in the *Report on Internal Control Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
4. The *Report on Compliance with Requirements Applicable that could have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133* expresses an unqualified opinion on all major federal programs.
5. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
6. A management letter was not issued for the year ended June 30, 2012.
7. The programs tested as major programs for the year ended June 30, 2012 was:

<u>Program Title</u>	<u>CFDA No.</u>
Title II Improving Teacher Quality State Grants	84.367
School Improvement 1003 (g)	84.377
School Improvement Grants – Recovery Funds	84.388

8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Foundation did not qualify as a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings related to the financial statement for the year ended June 30, 2012.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS
COMPLIANCE**

Not applicable.

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR
FEDERAL AWARD PROGRAMS**

Not applicable.

SECTION III – MANAGEMENT LETTER

Not applicable.