

AKILI ACADEMY OF NEW ORLEANS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2011 AND 2010

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275 • FAX (504) 482-2516
WWW.ERICKSENKRENTEL.COM

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
 <u>FINANCIAL STATEMENTS:</u>	
Exhibit "A" Statements of Financial Position	3
Exhibit "B" Statements of Activities	4 – 5
Exhibit "C" Statements of Cash Flows	6
Exhibit "D" Statements of Functional Expenses	7 – 8
Notes to Financial Statements	9 – 13
 <u>SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	14
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 16
Independent Auditors' 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	17 – 18
Schedule of Findings and Questioned Costs	19
Schedule of Prior Year Findings	20
 <u>SCHEDULES REQUIRED BY STATE LAW (PERFORMANCE STATISICAL DATA)</u>	
Independent Auditors' Report on Applying Agreed-Upon Procedures	
Schedules Required by State Law (Performance Statistical Data)	

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275 • FAX (504) 482-2516
WWW.ERICKSENKRENTEL.COM

JAMES E. LAPORTE*
KEVIN M. NEYREY
RICHARD G. MUELLER
RONALD H. DAWSON, JR.*
CLAUDE M. SILVERMAN*
W. ERIC POWERS
DENNIS J. TIZZARD†
JAMES E. TONGLET†

*PROFESSIONAL CORPORATION
†LIMITED LIABILITY COMPANY
BENJAMIN J. ERICKSEN - RETIRED
J.V. LEGLERE KRENTEL - DECEASED

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Akili Academy of New Orleans
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Akili Academy of New Orleans (the School), as of June 30, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit 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 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 Akili Academy of New Orleans as of June 30, 2011 and 2010, and the changes in its net assets and its 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 December 20, 2011 on our consideration of Akili Academy of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

To the Board of Directors
Akili Academy of New Orleans
Page 2

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

December 20, 2011


Certified Public Accountants

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 224,645	\$ 242,418
Other receivables	292,315	82,635
Prepaid expenses	<u>21,579</u>	<u>10,380</u>
Total current assets	<u>538,539</u>	<u>335,433</u>
Total assets	<u>\$ 538,539</u>	<u>\$ 335,433</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 76,974	\$ 214,221
Accrued expenses	<u>20,183</u>	<u>67,828</u>
Total current liabilities	<u>97,157</u>	<u>282,049</u>
Total liabilities	<u>97,157</u>	<u>282,049</u>
<u>NET ASSETS:</u>		
Unrestricted	391,382	53,384
Temporarily restricted	<u>50,000</u>	<u>-</u>
Total net assets	<u>441,382</u>	<u>53,384</u>
Total liabilities and net assets	<u>\$ 538,539</u>	<u>\$ 335,433</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Public Support Revenues and Other Support:</u>			
Local per pupil aid	\$ 918,645	\$ -	\$ 918,645
Federal sources	726,109	-	726,109
State public school funds	751,293	-	751,293
Donations and contributions	37,955	50,000	87,955
Other local sources	<u>8,099</u>	<u>-</u>	<u>8,099</u>
 Total public support and other revenues	 <u>2,442,101</u>	 <u>50,000</u>	 <u>2,492,101</u>
<u>Expenses:</u>			
Program services:			
Instructional	1,339,566	-	1,339,566
Supporting services:			
Management and general	<u>764,587</u>	<u>-</u>	<u>764,587</u>
 Total expenses	 <u>2,104,153</u>	 <u>-</u>	 <u>2,104,153</u>
<u>Other Income:</u>			
Interest income	<u>50</u>	<u>-</u>	<u>50</u>
 Total other income	 <u>50</u>	 <u>-</u>	 <u>50</u>
 Change in net assets	 337,998	 50,000	 387,998
Beginning net assets	<u>53,384</u>	<u>-</u>	<u>53,384</u>
Ending net assets	<u>\$ 391,382</u>	<u>\$ 50,000</u>	<u>\$ 441,382</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
<u>Public Support Revenues and Other Support:</u>			
Local per pupil aid	\$ 670,443	\$ -	\$ 670,443
Federal sources	395,209	-	395,209
State public school funds	548,370	-	548,370
Donations and contributions	133,501	-	133,501
Other local sources	3,322	-	3,322
Total public support and other revenues	1,750,845	-	1,750,845
<u>Expenses:</u>			
Program services:			
Instructional	1,038,767	-	1,038,767
Supporting services:			
Management and general	689,848	-	689,848
Total expenses	1,728,615	-	1,728,615
<u>Other Income:</u>			
Interest income	23	-	23
Total other income	23	-	23
Change in net assets	22,253	-	22,253
Beginning net assets	31,131	-	31,131
Ending net assets	\$ 53,384	\$ -	\$ 53,384

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 387,998	\$ 22,253
Adjustments to reconcile change in net assets to cash from (used for) operating activities:		
(Increase) decrease in:		
Other receivables	(209,680)	(25,289)
Prepaid expenses	(11,199)	5,136
Increase (decrease) in:		
Accounts payable	(137,247)	111,482
Accrued expenses	<u>(47,645)</u>	<u>54,482</u>
Net cash from (used for) operating activities	<u>(17,773)</u>	<u>168,064</u>
Net increase (decrease) in cash and cash equivalents	(17,773)	168,064
Cash and cash equivalents, beginning of year	<u>242,418</u>	<u>74,354</u>
Cash and cash equivalents, end of year	<u>\$ 224,645</u>	<u>\$ 242,418</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Support Services		Total
	Program Services	Management And General	
	<u>Instructional</u>	<u>General</u>	
Regular education programs	\$ 882,046	\$ -	\$ 882,046
School administration	-	217,038	217,038
Operation and maintenance of plant services	-	138,199	138,199
Special education programs	146,152	-	146,152
Food services	-	19,497	19,497
Business services	-	108,240	108,240
Student transportation	-	199,340	199,340
Central services	-	8,195	8,195
Instructional staff services	311,368	-	311,368
General administration	-	56,534	56,534
Other support services	-	17,544	17,544
	<u>\$ 1,339,566</u>	<u>\$ 764,587</u>	<u>\$ 2,104,153</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Support Services		Total
	Program Services	Management And General	
	<u>Instructional</u>	<u>General</u>	<u>Total</u>
Regular education programs	\$ 816,220	\$ -	\$ 816,220
School administration	-	206,679	206,679
Operation and maintenance of plant services	-	113,873	113,873
Special education programs	118,276	-	118,276
Food services	-	27,976	27,976
Business services	-	71,664	71,664
Student transportation	-	190,635	190,635
Central services	-	7,690	7,690
Instructional staff services	104,271	-	104,271
General administration	-	45,948	45,948
Other support services	-	25,383	25,383
	<u>\$ 1,038,767</u>	<u>\$ 689,848</u>	<u>\$ 1,728,615</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

AKILI ACADEMY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Akili Academy of New Orleans (the School) is a Louisiana not-for-profit organization incorporated in 2007 for the purpose of operating a charter school in New Orleans, Louisiana. The School was created to inform and educate citizens of Louisiana on how school choice initiatives can improve primary education in Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School for an initial term of three years. The charter will terminate on June 30, 2011, unless BESE grants the Charter Operator a two year extension of the Charter School Contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LA R.S.17:3992 and 3998. Upon completion of the charter school's fifth year of operation, the Charter Contract may be renewed at the discretion of BESE pursuant to applicable provisions of Title 17, Chapter 42, of the Louisiana Revised Statutes and BESE policy. An extension of the charter was requested on June 30, 2011 and is pending formal BESE approval in January 2012.

Basis of Accounting

The School prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-45 *Not-for-Profit Entities—Balance Sheet Presentation*. Under FASB ASC 958-210-45, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

AKILI ACADEMY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

Contributions that are restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Land, Buildings, Equipment and Improvements

Currently the School owns no land, buildings, equipment or improvements. However, when the School obtains any of these items, the capitalization policy will be as follows. Acquisitions of buildings, equipment, and improvements in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment, and improvements are stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the related assets as follows: building improvements, 5 years; equipment, 3-7 years. See Note 5 for discussion of use of premises.

Donated Equipment and Services

Donated equipment is reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. The School receives a substantial amount of donated services from unpaid volunteers who assist in carrying out the School's instructions and fundraising activities. No amounts have been reflected in the statements for donated services because they did not meet the criteria for recognition under generally accepted accounting principles.

Income Taxes

The School is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The School's evaluation as of June 30, 2011 revealed no tax positions that would have a material impact on the financial statements. The 2007 through 2010 tax years remain subject to examination by the IRS. The School does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

AKILI ACADEMY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Subsequent Events

Subsequent events have been evaluated through December 20, 2011, which is the date the financial statements were available to be issued.

(2) **OTHER RECEIVABLES**

At June 30, 2011, the School had the following receivables:

<u>Louisiana Department of Education:</u>		
Title I	\$	129,049
Title I ARRA		214
Title II		15,916
Title IV		404
IDEA B		18,020
IDEA B ARRA		6,688
IDEA PS		4,250
IDEA PS ARRA		2,893
HPSI		67,117
Edujobs		<u>33,214</u>
Total from Louisiana Department of Education		<u>277,765</u>
 <u>Other Receivables:</u>		
Levy for SUTA		1,738
Pearson refund		12,768
Employee receivable		21
Insurance premium adjustment		<u>23</u>
Total other receivables		<u>14,550</u>
Total receivables		<u>\$ 292,315</u>

The School has not provided an allowance for uncollectible amounts as it deems all amounts to be fully collectible.

AKILI ACADEMY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

(3) OPERATING LEASES

The School has an operating lease for the use of two copy machines. The monthly rental payment is \$563 and the minimum lease obligation expires August 2013.

Minimum lease payments under operating leases at June 30, 2011 are as follows:

Years Ending <u>June 30,</u>		
2012	\$	6,756
2013		6,756
2014		<u>1,126</u>
	<u>\$</u>	<u>14,638</u>

Lease payments during the year ended June 30, 2011 and 2010 totaled \$6,756, and \$6,756, respectively.

(4) CONCENTRATIONS OF CREDIT RISK

The School maintains its deposits in several financial institutions. Accounts at these institutions are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits. At June 30, 2011 and June 30, 2010, the cash balance did not exceed the insured amount.

(5) SCHOOL OPERATIONS/LEASEHOLD INTEREST

The School entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the School to use the facilities and its contents located at 1700 Pratt Drive, New Orleans, Louisiana 70122. The agreement expires on June 30, 2011. The agreement may be extended for two additional years at the option of the State of Louisiana, Department of Education, Recovery School District. The agreement may be renewed at the discretion of BESE. Extension of the charter was requested on June 30, 2011 and is pending formal BESE approval in January 2012.

Alterations made by the School shall not diminish the value of the property at the time the alterations are approved, unless agreed upon by the State of Louisiana, Department of Education, Recovery School District and the School. Any physical additions or improvements to the property will become property of the State of Louisiana, Department of Education, Recovery School District. The State of Louisiana, Department of Education, Recovery School District may require, at the expense of the School, removal of these physical additions or improvements.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

AKILI ACADEMY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

(5) SCHOOL OPERATIONS/LEASEHOLD INTEREST (CONTINUED)

Use of the property is not recorded as an in-kind contribution from the State of Louisiana, Department of Education, Recovery School District, and related rent expense. The value of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

(6) COMMITMENTS

The School has employment contracts, as are standard in the field of education, with most of its employees. The contracts for the years June 30, 2011 and June 30, 2010 expired at their respective year ends. All contracts provide for a minimum annual salary and other benefits.

(7) FEDERALLY ASSISTED PROGRAMS

The School participates in a number of federally assisted programs. The School's programs are audited in accordance with the *Single Audit Act*. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for future examinations. The School's management believes that future examinations would not result in any significant disallowed costs.

(8) RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to conform with current year presentations.

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
Pass-through program from:		
Louisiana Department of Education		
Title I Grants to Local Educational Agencies	84.010	\$ 158,204 *
ARRA -Title I Grants to Local Educational Agencies	84.389	214 *
Special Education - Grants to States	84.027	40,091
ARRA - Special Education - Grants to States	84.391	7,067
Special Education - Preschool Grants	84.173	9,021
ARRA - Special Education - Preschool Grants	84.392	2,893
Improving Teacher Quality State Grants	84.367	15,916
ARRA - Improving Teacher Quality State Grants	84.367	<u>230,370</u>
Total CFDA 84.367		<u>246,286 *</u>
Safe and Drug Free Schools and Communities - State Grants		
Title IV	84.186	404
ARRA - Education Jobs Fund	84.410	33,214 *
Charter Schools	84.282	<u>228,715</u>
Total U.S. Department of Education		<u>726,109</u>
Total		<u>\$ 726,109</u>

*** Major Program**

Note: The schedule of expenditures of federal awards is a summary of the activity of Akili Academy of New Orleans' federal award programs presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(See Auditors' Report)

**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**

To the Board of Directors
Akili Academy of New Orleans

We have audited the financial statements of Akili Academy of New Orleans (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. 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

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 to be material weaknesses, as defined above.

To the Board of Directors
Akili Academy of New Orleans
December 20, 2011

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 or other matters that are required to be reported under *Government Auditing Standards*.

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

December 20, 2011



Certified Public Accountants

ERICKSEN KRENTEL & LA PORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275 • FAX (504) 482-2516
WWW.ERICKSENKRENTEL.COM

JAMES E. LA PORTE*
KEVIN M. NEYREY
RICHARD G. MUELLER
RONALD H. DAWSON, JR.*
CLAUDE M. SILVERMAN*
W. ERIC POWERS
DENNIS J. TIZZARD†
JAMES E. TONGLET†

*PROFESSIONAL CORPORATION
†LIMITED LIABILITY COMPANY
BENJAMIN J. ERICKSEN - RETIRED
J.V. LECLERE KRENTEL - DECEASED

INDEPENDENT AUDITORS' 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

To the Board of Directors
Akili Academy of New Orleans

Compliance

We have audited Akili Academy of New Orleans' (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditors' 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 School's management. Our responsibility is to express an opinion on the School'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 School'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 School's compliance with those requirements.

In our opinion, Akili Academy of New Orleans 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, 2011.

Board of Directors
Akili Academy of New Orleans
December 20, 2011

Internal Control Over Compliance

Management of the School 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 School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Akili Academy of New Orleans' 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 for the information of management and the Board of Directors, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 20, 2011



Certified Public Accountants

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Akili Academy of New Orleans.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Akili Academy of New Orleans were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditors' 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.
5. The auditors' report on compliance for the major federal award programs for Akili Academy of New Orleans expresses an unqualified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this schedule.
7. The programs tested as major programs were the Title I Cluster (CFDA 84.010 and 84.389), Improving Teacher Quality State Grants (ARRA) (CFDA 84.367), and Education Jobs Fund (ARRA) (CFDA 84.410).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Akili Academy of New Orleans was determined not to be a low risk auditee.
10. No management letter was issued for the year ended June 30, 2011.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

**AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

None Noted

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FEDERAL AWARDS**

None Noted

SECTION III MANAGEMENT LETTER

None Issued

ERICKSEN KRENTEL & LA PORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275 • FAX (504) 482-2516
WWW.ERICKSENKRENTEL.COM

JAMES E. LA PORTE*
KEVIN M. NEYREY
RICHARD G. MUELLER
RONALD H. DAWSON, JR.*
CLAUDE M. SILVERMAN*
W. ERIC POWERS
DENNIS J. TIZZARD†
JAMES E. TONGLET†

*PROFESSIONAL CORPORATION
†LIMITED LIABILITY COMPANY
BENJAMIN J. ERICKSEN - RETIRED
J.V. LECLERE KRENTEL - DECEASED

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Akili Academy of New Orleans
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by Akili Academy of New Orleans (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data for the year ended June 30, 2011, accompanying the annual financial statements of the School 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 School is responsible for the performance and statistical data. This agreed-upon procedures engagement was conducted 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 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:
 - a. Total General Fund Instructional Expenditures,
 - b. Total General Fund Equipment Expenditures,
 - c. Total Local Taxation Revenue,
 - d. Total Local Earnings on Investment in Real Property,
 - e. Total State Revenue in Lieu of Taxes,
 - f. Nonpublic Textbook Revenue,
 - g. Nonpublic Transportation Revenue.

To the Board of Directors
Akili Academy of New Orleans
December 20, 2011

Educational Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the school board supporting payroll records as of October 1, 2010.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced the entire population to the individual's personnel files and determined if the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule 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 Education Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

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

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2010 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Public School Staff Data (Schedule 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 all 15 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and the full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

To the Board of Directors
Akili Academy of New Orleans
December 20, 2011

Class Size Characteristics (Schedule 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 3 data, as obtained in procedure 5. We traced a random sample of 10 classes to the October 1, 2010 roll books for those classes and determined that the class was properly classified on the schedule.

The iLEAP Test (Schedule 9)

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

No exceptions were found as a result of applying the above procedures.

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 Akili Academy of New Orleans, 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.

December 20, 2011



Certified Public Accountants

AKILI ACADEMY OF NEW ORLEANS
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT
EXPENDITURES

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom teacher salaries	\$ 423,336
Other instructional staff activities	27,255
Employee benefits	86,077
Purchased professional and technical services	36,568
Instructional materials and supplies	15,519
Instructional equipment	<u>8,563</u>

Total teacher and student interaction activities \$ 597,318

Other instructional activities 3,497

Pupil support activities 81,877

Less: Equipment for pupil support activities -

Net pupil support activities 81,877

Instructional staff services 44,011

Less: Equipment for instructional staff services -

Net instructional staff services 44,011

School Administration 208,795

Less: Equipment for school administration -

Net school administration 208,795

Total general fund instructional expenditures \$ 935,498

Total general fund equipment expenditures \$ -

CERTAIN LOCAL REVENUE SOURCES

Note: Akili Academy of New Orleans receives local revenues from the Orleans Parish School Board, which is passed through the Recovery School District. The School does not receive a detailed schedule of the source of these revenues. This section is not applicable to charter schools under the Recovery School District.

(See Accountants' Report)

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF EDUCATION LEVELS OF PUBLIC SCHOOL STAFF
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

CATEGORY:	<u>Full Time Classroom Teachers</u>				<u>Principals and Assistant Principals</u>			
	<u>Certificated</u>		<u>Uncertificated</u>		<u>Certificated</u>		<u>Uncertificated</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	13	87%	-	-	-	-	-	-
Master's Degree	2	13%	-	-	-	-	1	100%
Master's Degree + 30	-	-	-	-	-	-	-	-
Specialist in Education	-	-	-	-	-	-	-	-
PhD or EdD	-	-	-	-	-	-	-	-
Total	<u>15</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>100%</u>

(See Accountants' Report)

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF NUMBER AND TYPE OF PUBLIC SCHOOLS
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

<u>TYPE:</u>	<u>NUMBER</u>
Elementary	1
Middle / Jr. High	-
Secondary	-
Combination	-
	<hr/>
Total	<u><u>1</u></u>

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

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS
AND FULL TIME CLASSROOM TEACHERS
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

	<u>0-1</u> <u>Years</u>	<u>2-3</u> <u>Years</u>	<u>4-10</u> <u>Years</u>	<u>11-14</u> <u>Years</u>	<u>15-19</u> <u>Years</u>	<u>20-24</u> <u>Years</u>	<u>25+</u> <u>Years</u>	<u>Total</u>
Assistant Principals	-	-	-	-	-	-	-	-
Principals	-	-	-	1	-	-	-	1
Classroom Teachers	<u>8</u>	<u>6</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
Total	<u>8</u>	<u>6</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>

(See Accountants' Report)

AKILI ACADEMY OF NEW ORLEANS
SCHEDULE OF PUBLIC SCHOOL STAFF DATA
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

	<u>All Classroom Teachers</u>	<u>Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions</u>
Average classroom teachers salary including extra compensation	\$ 49,578	\$ 49,578
Average classroom teachers salary excluding extra compensation	\$ 49,007	\$ 49,007
Number of teacher full-time equivalents (FTE's) used in computation of average	15	15

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

(See Accountants' Report)

AKILI ACADEMY OF NEW ORLEANS
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE, 30 2011
AS OF OCTOBER 1, 2010

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	96%	52	-	-	-	-	4%	2
Elementary/Activity Classes	-	-	-	-	-	-	-	-
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.

(See Accountants' Report)

AKILI ACADEMY OF NEW ORLEANS
iLEAP TESTS
FOR THE YEAR ENDED JUNE, 30 2011

District Achievement Level Results	English Language Arts 2010		Mathematics 2010		Science 2010		Social Studies 2010		
	Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3									
Advanced		4	10%	5	13%	2	5%	0	0%
Mastery		13	33%	13	33%	5	13%	7	18%
Basic		20	51%	18	46%	25	64%	26	67%
Approaching Basic		1	3%	2	5%	6	15%	4	10%
Unsatisfactory		1	3%	1	3%	1	3%	2	5%
Total		39	100%	39	100%	39	100%	39	100%

(See Accountants' Report)