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Financial Report

*Advocates for Arts-Based
Education Corporation
d/b/a Lusher Charter School*

June 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-28-07

TABLE OF CONTENTS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2006

	<u>Page Number</u>
Independent Auditor's Report	1 - 2
Exhibits	
A - Statement of Financial Position	3
B - Statement of Activities	4
C - Statement of Cash Flows	5
D - Notes to Financial Statements	6 - 14
Special Report of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	15 - 16
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	17 - 18

TABLE OF CONTENTS - Continued

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2006

**Page
Number**

Schedule of Expenditures of Federal Awards 19

Notes to Schedule of Expenditures of Federal Awards 20 - 22

Schedule of Findings and Questioned Costs 23 - 24

Reports By Management

Management's Corrective Action Plan on Current Year Findings 25

FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), as of June 30, 2006, and the related statements of activities and cash flows for the period from August 24, 2005 (inception) through June 30, 2006. 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 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. 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 audit provides 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 Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School as of June 30, 2006, and the changes in its net assets and its cash flows for the period from August 24, 2005 (inception) through June 30, 2006, 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 18, 2006, on our consideration of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of advocates for Arts-Based Education Corporation d/b/a Lusher Charter School taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, Louisiana,
December 18, 2006.

STATEMENT OF FINANCIAL POSITION

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2006

ASSETS

Cash	\$ 4,500,109
Grants receivable	1,073,053
Unconditional promises to give	14,116
Prepaid expenses	112,395
Investments	37,840
Deposits	<u>7,150</u>
Total assets	<u><u>\$ 5,744,663</u></u>

LIABILITIES

Accounts payable	\$ 135,010
Accrued expenses	<u>35,034</u>
Total current liabilities	<u>170,044</u>

NET ASSETS

Unrestricted	5,202,816
Temporarily restricted	<u>371,803</u>
Total net assets	<u>5,574,619</u>
Total liabilities and net assets	<u><u>\$ 5,744,663</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
 New Orleans, Louisiana

For the period from August 24, 2005 (inception) through June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues and Other Support			
Contributions	\$ 2,358,883	\$ 371,803	\$ 2,730,686
Grants:			
Federal	2,740,376		2,740,376
State - Minimum Foundation Program	1,630,050		1,630,050
Local - Minimum Foundation Program	1,316,234		1,316,234
Other	30,000		30,000
Student activity fees	154,108		154,108
Other revenue	55,606		55,606
Investment income	5,765		5,765
	<u>8,291,022</u>	<u>371,803</u>	<u>8,662,825</u>
Total revenues and other support			
Expenses			
Salaries	2,038,882		2,038,882
Employee benefits	327,794		327,794
Supplies:			
School	167,917		167,917
Other - furniture and equipment	51,403		51,403
Repairs and maintenance	153,791		153,791
Food services	97,958		97,958
Insurance	76,711		76,711
Payroll tax expense	61,913		61,913
Other expenses	60,509		60,509
Professional services	31,288		31,288
Utilities	20,040		20,040
	<u>3,088,206</u>	<u>-</u>	<u>3,088,206</u>
Total expenses			
Increase in net assets	<u>5,202,816</u>	<u>371,803</u>	<u>5,574,619</u>
Net Assets			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ 5,202,816</u>	<u>\$ 371,803</u>	<u>\$ 5,574,619</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the period from August 24, 2005 (inception) through June 30, 2006

Cash Flows From Operating Activities	
Increase in net assets	\$ 5,574,619
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Net unrealized and realized gain on investments	(371)
Contributions restricted for the acquisition of property and equipment	(100,722)
Contribution of investment	(37,469)
Increase in assets:	
Grants receivable	(1,073,053)
Unconditional promises to give	(14,116)
Prepaid expenses	(112,395)
Deposits	(7,150)
Increase in liabilities:	
Accounts payable and accrued expenses	<u>170,044</u>
Net cash provided by operating activities	<u>4,399,387</u>
Cash Flows From Financing Activities	
Collections of contributions restricted for the acquisition of property and equipment	<u>100,722</u>
Net cash provided by financing activities	<u>100,722</u>
Net Increase in Cash	4,500,109
Cash	
Beginning of period	<u>-</u>
End of period	<u><u>\$ 4,500,109</u></u>
Supplemental Disclosures of Cash Flows Information	
Non cash investing and financing activities	
Contribution of investment	<u><u>\$ 37,469</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), incorporated on August 24, 2005, is an educational institution organized to improve student learning, to increase learning opportunities for all students, to encourage the use of innovative teaching methods, to be more thoroughly accountable for education results, and to create new professional opportunities for teachers and other school employees.

The Orleans Parish School Board (OPSB) approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 Charter School, as defined in LA R.S.17:3973(3)(b).

b. Basis of Accounting

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States on the accrual basis of accounting. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

c. 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

Cash, which is held in interest bearing accounts, consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified specific use of the contribution.

The School classifies as cash and cash equivalents all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2006.

e. Grants Receivable

The grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

f. Promises To Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All promises to give are recognized as assets and revenues. Management believes that all unconditional promises to give are collectable.

g. Investments

Investments in certificates of deposit are stated at fair market value.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property, Equipment, and Depreciation

Additions to physical plant and facilities are capitalized in accordance with the Louisiana Accounting and Uniform Governmental Handbook, which requires the School to capitalize equipment purchases with a cost greater than \$1,000. Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset. For the period from August 24, 2005 (inception) through June 30, 2006, all purchase of furniture and equipment were for items whose cost was less than \$1,000 were expensed.

i. Compensated Absences

All employees accrue 10 days of leave each year, of which a maximum of five may be carried forward to the following fiscal year. The employee may use the leave days carried forward from the prior year, but will receive no additional compensation. Upon termination the employee will receive payment for a maximum of 10 days at a per diem rate of \$75. The School accrues leave and related payroll liabilities for all employees who have 5 or less leave days at the per diem rate.

j. Contributions and Revenue Recognition

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

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

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$35,051 for the initial period ended June 30, 2006 which included donations of musical instruments, books, school supplies, computers, furniture, back packs, and other items.

l. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School has classified its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of the School.

Temporarily Restricted Net Assets - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income derived from the investment of these contributions.

m. Tax Matters

The School has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School has unrelated trade or business income.

Note 2 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Instructional and other	\$	198,248
Property and equipment		100,722
Katrina relief		<u>72,833</u>
 Total temporarily restricted assets	 \$	 <u><u>371,803</u></u>

The School does not have permanently restricted net assets as of June 30, 2006.

Note 3 - INVESTMENTS

Investments in certificates of deposit are stated at fair value and are summarized as follows as of June 30, 2006:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Certificate of Deposit	<u>\$ 37,469</u>	<u>\$ 37,840</u>	<u>\$ 371</u>
 Totals	 <u><u>\$ 37,469</u></u>	 <u><u>\$ 37,840</u></u>	 <u><u>\$ 371</u></u>

Note 4 - LEASES

On April 3, 2006, the School entered into lease agreements for the use of four copy machines. Aggregate monthly payments on these leases approximate \$1,100. These leases expire in April 2009. Future minimum lease payments related to these leases are \$13,615 (2007), \$13,615 (2008), and \$10,211 (2009). Total rent expense for the period from August 24, 2005 (inception) through June 30, 2006 totaled \$3,404.

Note 5 - RETIREMENT PLAN

Substantially all employees of the School participate in the Teacher's 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 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 sixty; otherwise, benefits vest after twenty 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 School is required to contribute 15.9% of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the period from August 24, 2005 (inception) through June 30, 2006, the School contributions to this plan totaled \$266,919.

Note 6 - Grants

The United States Department of Education awarded a grant totaling \$1,686,000 to fund the operating costs to eligible charter schools serving displaced students in Hurricane impacted areas. The School must use the award for salaries, employee benefits and other purchased services. For the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,686,000.

Note 6 - Grants (continued)

The United States Department of Education awarded a grant to Orleans Parish School Board (OPSB), which was awarded to the school as a subrecipient, to assist with the cost of educating students displaced by Hurricane Katrina. OPSB awarded the School a portion of the grant based on the number of displaced students enrolled. The authorized uses of the funds include salaries, acquiring circular materials, instructional services for displaced students, health and counseling services, and educational and support services. For the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$742,142.

The United States Department of Education awarded a grant to Orleans Parish School Board (OPSB), which was awarded to the school as a subrecipient, to assist school administrators and personnel in restarting school operations, reopening schools and reenrolling students. The grant funds must be used for recovery of information, financial operations, replacement of instructional materials, redevelopment of instructional plans, and initiating and maintaining education and support services. For the period from August 24, 2005 (inception) through June 30, 2006 the School recognized revenue under this grant of \$234,553.

The United States Department of Agriculture awarded a grant under the National School Lunch Program. For the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$77,681.

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled during the school year. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,630,050.

The Orleans Parish School Board (OPSB) provides funding which is determined on an annual basis based on the number of pupils enrolled during the school year. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the period August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,316,234.

Note 7 - SCHOOL OPERATIONS/LEASEHOLD INTEREST

Effective January 1, 2006, the School entered into an agreement with the Orleans Parish School Board, which allows the School to use the facilities and its contents located at 7315 Willow Street, 719 S. Carrollton Avenue, 5624 Freret Street, or any other locations as may be approved by the School and OPSB. As of June 30, 2006, the 5624 Freret Street location was not occupied by the School. The agreement expires on December 31, 2011. The agreement may be renewed at the option of the OPSB.

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. If capital improvements are made by the School with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the Orleans Parish School Board at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

Use of the property is not recorded as an in-kind contribution from the Orleans Parish School Board and related rent expense. The value of the use 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.

Note 8 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the statement of activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total expenses for the period from August 24, 2005 (inception) through June 30, 2006 are allocated as follows:

Program Services	\$ 2,942,475
Supporting Services:	
Management and general	<u>145,731</u>
Total expenses	<u>\$ 3,088,206</u>

Note 9 - COMMITMENTS

The School has employment contracts as is standard in the field of education with most of its employees and which expire July 31, 2006. Additionally, the school has an employment contract with an employee through November 3, 2008. All contracts provide for a minimum annual salary and other benefits. At June 30, 2006, the total commitment was approximately \$467,000 for salary and \$37,000 for contributions to the deferred compensation plans. Additionally, the School has a one year commitment expiring June 30, 2007 of \$64,884 to reimburse an employee for a loss in retirement benefits not received.

Note 10 - RISK MANAGEMENT

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the initial period ended June 30, 2006.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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 Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have audited the financial statements of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), as of June 30, 2006 and for the period from August 24, 2005 (inception) through June 30, 2006, and have issued our report thereon, dated December 18, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be and should not 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 18, 2006.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

Compliance

We have audited the compliance of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the period from August 24, 2005 (inception) through June 30, 2006. The School's major federal program is 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 its major federal program 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, the School complied, in all material respects, with the requirements referred to above that are applicable to of its major federal program for the period from August 24, 2005 (inception) through June 30, 2006.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and the Legislative Auditor for the State of Louisiana 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
December 18, 2006.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the period from August 24, 2005 (inception) through June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Education: <u>Pass-Through Program From:</u> <u>Louisiana Department of Education</u> Public Charter School Federal Grant Program: Public Charter School Program	84.282	\$ 1,686,000
United States Department of Education: <u>Pass-Through Program From:</u> <u>Louisiana Department of Education</u> <u>Orleans Parish School Board</u> Elementary and Secondary Education Hurricane Relief - Temporary Emergency Impact Aid for Displaced Students	84.938C	742,142
United States Department of Education: <u>Pass-Through Program From:</u> <u>Louisiana Department of Education</u> <u>Orleans Parish School Board</u> Elementary and Secondary Education Hurricane Relief - Immediate Aid to Restart School Operations	84.938A	234,553
United States Department of Agriculture: <u>Pass-Through Program From:</u> <u>Louisiana Department of Education</u> <u>Orleans Parish School Board</u> Food and Nutrition Services: National School Lunch Program	10.555	<u>77,681</u>
Total		<u>\$ 2,740,376</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the period from August 24, 2005 (inception) through June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School has met the cost reimbursement of funding qualifications for the respective grants. 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, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

b. Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the School. Consequently, timing differences between expenditures and program reimbursements exist at the end of the year.

c. Payments to Subrecipients

There were no payments to subrecipients for the period from August 24, 2005 (inception) through June 30, 2006.

Note 2 - DESCRIPTION OF GRANTS

The United States Department of Education - Public Charter School Federal Grant Program - Public Charter School Program - Passed through the Louisiana Department of Education

The Louisiana Department of Education awarded a grant totaling \$1,686,000 to support the planning, development and initial implementation of the Charter School. The grant award must be for expenses incurred during the period of February 1, 2006 through July 31, 2006, and reimbursements for expenses incurred must be submitted to the Louisiana Department of Education for processing. During for the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,686,000. No additional funds are available under this grant at June 30, 2006.

The United States Department of Education – Elementary and Secondary Education Hurricane Relief – Immediate Aid to Restart School Operations - Passed through the Louisiana Department of Education to the Orleans Parish School Board

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the School to be reimbursed for expenses incurred to restart school operations. During the period from August 24, 2005 through June 30, 2006, the school recognized revenue under this grant of \$ 234,553.

The United States Department of Education – Elementary and Secondary Education Hurricane Relief – Temporary Emergency Impact Aid for Displaced Students - Passed through the Louisiana Department of Education to the Orleans Parish School Board

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the School to be reimbursed for expenses incurred to educate displaced students. During the period from August 24, 2005 through June 30, 2006, the school recognized revenue under this grant of \$ 742,142.

Note 2 - DESCRIPTION OF GRANTS (Continued)

The United States Department of Agriculture - Food and Nutrition Services - National School Lunch Program - Passed through the Louisiana Department of Education and through Orleans Parish School Board

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as a School Food Authority. Orleans Parish School Board extended the grant to the School to be reimbursed for the total meals provided. During the period from August 24, 2005 (inception) through June 30, 2006, the school recognized revenue under this grant of \$77,681.

Note 3 - FINDINGS OF NONCOMPLIANCE

No federal award findings or questioned costs were reported during the audit of the financial statements for the period August 24, 2005 (inception) through June 30, 2006.

Section I - Summary of Auditor's Report (Continued)

c) Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.282	U.S. Department of Education - Public Charter School Federal Grant Program - Public Charter School Program
84.938A	U.S. Department of Education – Elementary and Secondary Education Hurricane Relief - Immediate Aid to Restart School Operations
84.938C	U.S. Department of Education – Elementary and Secondary Education Hurricane Relief – Temporary Emergency Impact Aid for Displaced Students
10.555	U.S. Department of Agriculture - Food and Nutrition Services - National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

Compliance and Other Matters

No compliance findings were noted during the audit for the period from August 24, 2005 (inception) through June 30, 2006.

Section III - Federal Award Findings and Questioned Costs

No federal award findings or questioned costs were reported during the audit for the period from August 24, 2005 (inception) through June 30, 2006.

REPORTS BY MANAGEMENT

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

For the period from August 24, 2005 (inception) through June 30, 2006

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the period from August 24, 2005 (inception) through June 30, 2006.

No reportable conditions were reported during the audit of the financial statements for the period from August 24, 2005 (inception) through June 30, 2006.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the period from August 24, 2005 (inception) through June 30, 2006.

Section II - Internal Control And Compliance Material to Federal Awards

No findings or questioned costs were reported during the audit of the financial statements for the period from August 24, 2005 (inception) through June 30, 2006

Section III - Management Letter

A management letter was not issued in connection with the audit for the period from August 24, 2005 (inception) through June 30, 2006.