

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.**AUDIT OF FINANCIAL STATEMENTS****JUNE 30, 2013**

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 **JAN 22 2014**

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Hienz Macaluso LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

January 14, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Future is Now Schools: New Orleans, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future is Now Schools: New Orleans, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

The schedules required by Louisiana State Law included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014, on our consideration of Future is Now Schools: New Orleans, Inc.'s 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 403,538
Grants receivable	<u>158,013</u>
Total current assets	<u>561,551</u>

Property and Equipment

Computer equipment	39,629
less: Accumulated depreciation	<u>(13,210)</u>
Total property and equipment	<u>26,419</u>

Total assets	\$ <u>587,970</u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 259,830
Obligation under capital lease	<u>12,019</u>
Total current liabilities	<u>271,849</u>

Long-term liabilities

Obligation under capital lease	<u>15,686</u>
Total long-term liabilities	<u>15,686</u>

Total liabilities	<u>287,535</u>
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Net assets

Unrestricted net assets	300,435
Temporarily restricted net assets	<u>-</u>

Total net assets	<u>300,435</u>
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Total liabilities and net assets	\$ <u>587,970</u>
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The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
State public school funding	\$ 3,158,358	\$ -	\$ -	\$ 3,158,358
Federal grants	610,876	-	-	610,876
Local school management revenue	963,733	-	-	963,733
Grants and donations	681,590	-	-	681,590
Other income	262,629	-	-	262,629
Net Assets Released from Restrictions	-	-	-	-
Total Revenue	<u>5,677,186</u>	<u>-</u>	<u>-</u>	<u>5,677,186</u>
Expenses				
Instructional Services				
Regular education programs	2,446,466	-	-	2,446,466
Special education programs	294,099	-	-	294,099
Other instructional programs	168,283	-	-	168,283
Pupil support services	670,031	-	-	670,031
Instructional staff services	99,979	-	-	99,979
School administration	754,144	-	-	754,144
Operation and maintenance of plant service	669,813	-	-	669,813
Total Instructional Services	<u>5,102,815</u>	<u>-</u>	<u>-</u>	<u>5,102,815</u>
Support services				
Business services	68,432	-	-	68,432
General administration	43,799	-	-	43,799
Student transportation	384,756	-	-	384,756
Central services	54,358	-	-	54,358
Food services	16,065	-	-	16,065
Total Support Services	<u>567,410</u>	<u>-</u>	<u>-</u>	<u>567,410</u>
Total expenses	<u>5,670,225</u>	<u>-</u>	<u>-</u>	<u>5,670,225</u>
Change in net assets	6,961	-	-	6,961
Net assets, beginning of period	<u>293,474</u>	<u>-</u>	<u>-</u>	<u>293,474</u>
Net assets, end of period	<u>\$ 300,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,435</u>

The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating activities	
Change in net assets	\$ 6,961
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,210
Increase in grants receivable	(55,051)
Decrease in Due from Future is Now - National	100,000
Increase in accounts payable	179,675
Total adjustments	<u>237,834</u>
Net cash provided by operating activities	<u>244,795</u>
Cash Flows from Financing activities	
Principal payments on capital lease	<u>(11,924)</u>
Net cash used in financing activities	<u>(11,924)</u>
Net increase in cash and cash equivalents	232,871
Cash and cash equivalents, beginning of period	<u>170,667</u>
Cash and cash equivalents, end of period	<u>\$ 403,538</u>

The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – Summary of Significant Accounting Policies

Future is Now Schools: New Orleans, Inc. (the School) was created as a non-profit organization under the laws of the State of Louisiana. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 5 charter school and was awarded the charter to operate John McDonogh High School. Effective October 15, 2012, the School entered into a management agreement with the Louisiana Recovery School District whereby the School took over all operations and management functions of Walter L. Cohen High School for the remainder of the 2012-2013 school year.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

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.

Unrestricted Net Assets – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

Temporarily Restricted Net Assets – assets whose restrictions lapse with the passage of time or purpose.

Permanently Restricted Net Assets – assets whose restrictions do not lapse with the passage of time.

Presently, the School has no permanently restricted net assets.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

The School's primary sources of funding are through federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – Summary of Significant Accounting Policies - continued

Income Taxes

The School is operating under Section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School has considered all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. 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 specifying the use of the contributions.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts if applicable. The School provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

Property and equipment exceeding \$1,000 are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

NOTE 2 – Cash and Cash Equivalents

As of June 30, 2013, cash consists of demand deposits in a local bank of \$403,538.

NOTE 3 – Grants Receivable

As of June 30, 2013, grants receivable totaled \$158,013, which was a receivable for federal and state grants passed through the Louisiana Department of Education. The balance is considered to be fully collectible.

NOTE 4 - Concentrations

The School received approximately 66% of its revenues for the year ended June 30, 2013 from the Louisiana Department of Education through the Minimum Foundation Program and federal grants.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – Concentrations - continued

The School maintains cash balances at a local bank. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, these accounts may exceed the federally insured limits.

NOTE 5 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the School expects any such amounts to be immaterial.

NOTE 6 – Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 7 – Board Member's Compensation

Board members are not compensated for their service; therefore a schedule of board members and compensation is not presented.

NOTE 8 – Uncertain Income Taxes

The School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

As of January 14, 2014, the School has not filed their initial tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2011 - 2012. Management has evaluated the School's tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 9 – In-Kind Donations

The School received donated computer equipment in the amount of \$17,090 during the year ended June 30, 2013. This donation is recorded in grants and donations in the statement of activities.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – In-Kind Donations (continued)

The School also uses the services of volunteers in conjunction with their activities. The value of these services, which could not be reasonably estimated, is not recognized in the accompanying financial statements due to the unspecialized nature of the services.

NOTE 10 – Property and Equipment

Depreciation expense for the year ended June 30, 2013 was \$13,210. Depreciation is calculated using the straight line method with useful lives of 3 years.

All assets purchased with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

NOTE 11 – Capital Lease

During the fiscal year ended June 30, 2013, the School purchased computer equipment under a capital lease. The equipment is included in property and equipment on the accompanying statement of financial position, and the related amortization is included in accumulated depreciation and depreciation expense. The net book value of the equipment was \$26,419 at June 30, 2013. Future minimum lease payments under the capital lease for years subsequent to June 30, 2013 are as follows:

2014	\$14,058
2015	15,336
2016	<u>1,278</u>
Total minimum lease payments	30,672
Less amounts representing interest	<u>2,967</u>
Present value of minimum lease payments	<u>\$27,705</u>

NOTE 12 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 14, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Hienz Macaluso^{LLC}

Certified Public Accountants

**INDEPENDENT AUDITOR'S 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**

January 14, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

We have audited, in accordance with the 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, the financial statements of Future is Now Schools: New Orleans, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Future is Now Schools: New Orleans, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future is Now School: New Orleans, Inc.'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*.

Purpose of this Report

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA

Hienz Macaluso^{LLC}

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

January 14, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

Report on Compliance for Each Major Federal Program

We have audited Future is Now Schools: New Orleans, Inc.'s 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 Future is Now Schools: New Orleans, Inc.'s major federal programs for the year ended June 30, 2013. Future is Now Schools: New Orleans, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Future is Now Schools: New Orleans, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Future is Now Schools: New Orleans, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Future is Now Schools: New Orleans, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Future is Now Schools: New Orleans, Inc. complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Future is Now Schools: New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Future is Now Schools: New Orleans, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Future is Now Schools: New Orleans, Inc.'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hienz & Macaluso, LLC
Metairie, LA

**FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Education (Passed through the Louisiana Department of Education)		
Title I Grants to Local Educational Agencies	84.010	\$ 172,787
Special Education - Grants to States	84.027	86,373
Improving Teacher Quality State Grants	84.367 *	59,730
(Passed through New Schools for New Orleans, Inc.)		
ARRA - Investment in Innovation (i3)	84.396 *	<u>291,986</u>
Total United States Department of Education		<u>610,876</u>
Total Federal Financial Assistance		<u><u>\$ 610,876</u></u>

* Major program.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Future is Now Schools: New Orleans, Inc. under programs of the federal government for the year ended June 30, 2013. 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*. Because the Schedule presents only a selected portion of the operations of Future is Now Schools: New Orleans, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Future is Now Schools: New Orleans, Inc.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Subrecipients

Not applicable.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Future is Now Schools: New Orleans, Inc..
2. No control deficiencies were disclosed during the audit of the financial statements of Future is Now Schools: New Orleans, Inc.
3. No instances of noncompliance material to the financial statements of Future is Now Schools: New Orleans, Inc. were disclosed during the audit.
4. No control deficiencies relating to the audit of internal control over major federal award programs are reported on the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal programs for Future is Now Schools: New Orleans, Inc. expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings which are required to be reported by OMB Circular A-133.
7. The programs tested as major programs include:

Improving Teacher Quality State Grants	84.367
ARRA Investing in Innovation (i3)	84.396

8. The threshold for distinguishing Type A and Type B Programs was \$300,000.
9. Future is Now Schools: New Orleans, Inc. was determined to not be a low-risk auditee.

B. Financial Statement Findings and Questioned Costs

There were no financial statement findings or questioned costs for the year ended June 30, 2013.

C. Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended June 30, 2013.

D. Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2013.

**FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Compliance and Internal Control over Financial Reporting

2012-01 Late Submission of Audited Financial Statements

Under Louisiana statute, Future is Now Schools: New Orleans, Inc. was required to have an annual audit of financial statements prepared in accordance with U.S. generally accepted accounting principles and submit it to the Legislative Auditor by December 31, 2012. The organization did not meet the deadline for submitting its annual audit to the Legislative Auditor, resulting in noncompliance with Louisiana laws.

This finding was resolved in the current year.

2012-02 Accurate and Timely Financial Reporting

Management of Future is Now Schools: New Orleans, Inc. is responsible for developing and maintaining internal controls sufficient to produce accurate and timely financial information. During the course of the audit, we noted several adjusting entries were required to properly record year end accruals. The failure of management to properly record necessary month and year end adjustments greatly increases the risk that a material misstatement of the financial statements will occur and not be detected by management.

This finding was resolved in the current year.

Hienz Macaluso^{LLC}

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 14, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Future is Now Schools: New Orleans, Inc. (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data 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). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the 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 related to the accompanying schedules of supplemental information and are as follows:

PROCEDURES AND FINDINGS

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 reported on the schedule:
 - ❖ Total General Fund Instructional Expenditures;
 - ❖ Total General Fund Equipment Expenditures;
 - ❖ Total Local Taxation Revenues;
 - ❖ Total Local Earnings on Investment in Real Property;
 - ❖ Total State Revenue in Lieu of Taxes;
 - ❖ Nonpublic Textbook Revenue; and
 - ❖ Nonpublic Transportation Revenue.

Findings: None

Education 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, Assistant Principals, and Full-Time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and Future is Now Schools: New Orleans, Inc.'s supporting payroll records as of October 1st.

Findings: None

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 4) to the combined total of principals and assistant principals per this schedule.

Findings: None

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st as reported on the schedule. We traced each of the teachers to their respective personnel file and determined if their education level was properly classified on the schedule.

Findings: None

Number and Type of Public Schools (Schedule 3)

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

Findings: None

Experience of Public Principals, Assistant 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 1st 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.

Findings: None

Public School Staff Data (Schedule 5)

7. We obtained a listing 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 teachers to their personnel file and determined if their salary, extra compensation, and full-time equivalents were properly included on the schedule.

Findings: None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Findings: None

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 then traced a sample of ten classes to computerized summary reports of the October 1st roll books for those classes and determined if the class was properly classified in the schedule.

Findings:

We were unable to perform the procedure as management was unable to locate the roll books for the first semester.

Management's Response:

The employee responsible for first semester class roll books departed the school and remaining personnel were unable to locate some of the employee's records, including the selected classes. Management considers this a one-time error due to this turnover.

Louisiana Educational Assessment Program (LEAP) for The 21st Century (Schedule 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.

This schedule was not applicable for the year ended June 30, 2013.

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. 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.

This schedule was not applicable for the year ended June 30, 2013.

The iLEAP Tests (Schedule 9)

12. 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.

This schedule was not applicable for the year ended June 30, 2013.

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 use of management of Future is Now Schools: New Orleans Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of

Louisiana, 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.

Hienz & Macaluso, LLC
Metairie, LA

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013**

<u>General Fund Instructional and Equipment Expenditures</u>	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	1,374,577	
Other Instructional Staff Activities	191,450	
Instructional Staff Employee Benefits	253,460	
Purchased Professional and Technical Services	210,988	
Instructional Materials and Supplies	101,535	
Instructional Equipment	<u>29,576</u>	
Total Teacher and Student Interaction Activities		<u>\$ 2,161,586</u>
Other Instructional Activities		<u>\$ 161,122</u>
Pupil Support Services	503,307	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		<u>\$ 503,307</u>
Instructional Staff Services	99,979	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>\$ 99,979</u>
School Administration	604,101	
Less: Equipment for School Administration	<u>(13,368)</u>	
Net School Administration		<u>\$ 590,733</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 42,944</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$ -</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013**

Certain Local Revenue Sources**Local Taxation Revenue:****Ad Valorem Taxes**

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	\$ -
Debt Service Ad Valorem Tax	\$ -
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	\$ -
Result of Court Ordered Settlement (Ad Valorem)	\$ -
Penalties/Interest on Ad Valorem Taxes	\$ -
Taxes Collected Due to Tax Incremental Financing (TIF)(Ad Valorem)	\$ -

Sales Taxes

Sales and Use Taxes - Gross	\$ -
Sales/Use Taxes - Court Settlement	\$ -
Penalties/Interest on Sales/Use Taxes	\$ -
Sales/Use Taxes Collected Due to TIF	\$ -
Total Local Taxation Revenue	\$ -

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	\$ -
Total Local Earnings on Investment in Real Property	\$ -

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	\$ -
Revenue Sharing - Excess Portion	\$ -
Other Revenue in Lieu of Taxes	\$ -
Total State Revenue in Lieu of Taxes	\$ -

Nonpublic Textbook Revenue

\$ -

Nonpublic Transportation Revenue

\$ -

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, LA

Schedule 2

Education Levels of Public School Staff
As of October 1, 2012

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	15	75%	5	100%				
Master's Degree	3	15%			1	100%	1	100%
Master's Degree + 30	2	10%						
Specialist in Education								
Ph. D. or Ed. D.								
Total	20	100%	5	100%	1	100%	1	100%

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, LA

Schedule 3

Number and Type of Schools
For the Year Ended June 30, 2013

Type	Number
Elementary	
Middle Jr. High	
Secondary	1
Combination	
Total	1

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, LA

Schedule 4

Experience of Public Principals, Assistant Principals and Full time Classroom Teachers
 As of October 1, 2012

	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					2
Principals								
Classroom Teachers	6	8	10			1		25
Total	6	9	11	0	0	1	0	27

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, LA

Schedule 5

Public School Staff Data: Average Salaries
For the Year Ended June 30, 2013

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$52,566	\$51,239
Average Classroom Teachers Salary Excluding Extra Compensation	\$52,566	\$51,239
Number of Teacher Full-Time Equivalents (FTES) used in Computation of Average Salaries	25	23

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, LA

Schedule 6

Class Size Characteristics
As of October 1, 2012

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Class								
Middle High								
Middle High Activity Class								
High								
High Activity Class								
Combination								
Combination Activity Class								

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
New Orleans, Louisiana

Schedules 7, 8 and 9 were not applicable for the year ended June 30, 2013.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.