

LAGNIAPPE ACADEMIES OF NEW ORLEANS

COMBINED FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lagniappe Academies of New Orleans
New Orleans, Louisiana

We have audited the accompanying Combined Statements of Financial Position of Lagniappe Academies of New Orleans (a nonprofit organization) ("Lagniappe"), and the related Combined Statements of Activities, Cash Flows, and Functional Expenses as of and for the years ended June 30, 2012 and 2011. These combined financial statements are the responsibility of Lagniappe's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

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

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules on pages 15-16 are presented for purposes of additional analysis and are not a required part of the basic 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of Lagniappe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Carr, Riggs & Ingram, LLC

December 21, 2012

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 305,444	\$ 117,369
Other receivables	5,520	32,763
Property and equipment, net	<u>1,891,016</u>	<u>1,518,503</u>
Total Assets	<u><u>\$ 2,201,980</u></u>	<u><u>\$ 1,668,635</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 46,245	\$ 151,976
Notes payable	<u>1,606,401</u>	<u>1,324,463</u>
Total Liabilities	<u>1,652,646</u>	<u>1,476,439</u>
Net Assets:		
Unrestricted	<u>549,334</u>	<u>192,196</u>
Total Net Assets	<u>549,334</u>	<u>192,196</u>
Total Liabilities and Net Assets	<u><u>\$ 2,201,980</u></u>	<u><u>\$ 1,668,635</u></u>

See accompanying notes to combined financial statements.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Public Support Revenues and Other Support		
Donations and contributions	\$ 1,617,687	\$ 1,378,845
Federal sources	334,958	350,960
Local per pupil aid	467,514	246,179
State public school funds	384,497	185,263
Interest Income	<u>2</u>	<u>369</u>
Total Public Support and Other Revenues	<u>2,804,658</u>	<u>2,161,616</u>
Expenses		
Program services:		
Instructional	863,329	666,181
Supporting services:		
Management and general	<u>1,584,191</u>	<u>1,912,281</u>
Total Expenses	<u>2,447,520</u>	<u>2,578,462</u>
Increase (Decrease) in Unrestricted Net Assets	357,138	(416,846)
Net assets at beginning of fiscal year	<u>192,196</u>	<u>609,042</u>
Net assets at end of fiscal year	<u><u>\$ 549,334</u></u>	<u><u>\$ 192,196</u></u>

See accompanying notes to combined financial statements.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 357,138	\$ (416,846)
Adjustments to reconcile the change in net assets to cash provided by operating activities:		
Depreciation	99,639	42,218
(Increase) decrease in operating assets:		
Other receivables	27,243	(32,763)
Decrease (increase) in operating liabilities:		
Accounts payable and accrued expenses	<u>(105,731)</u>	<u>217,015</u>
Net cash provided by (used in) operating activities	<u>378,289</u>	<u>(190,376)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(472,152)</u>	<u>(1,507,907)</u>
Net cash used in investing activities	<u>(472,152)</u>	<u>(1,507,907)</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	450,000	1,350,000
Payments on long-term debt	<u>(168,062)</u>	<u>(184,695)</u>
Net cash provided by financing activities	<u>281,938</u>	<u>1,165,305</u>
Net increase (decrease) in cash and cash equivalents	188,075	(532,978)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>117,369</u>	<u>650,347</u>
Cash and Cash Equivalents, End of Fiscal Year	<u><u>\$ 305,444</u></u>	<u><u>\$ 117,369</u></u>
Supplemental Disclosure & Cash Flow Information:		
Cash paid for interest	<u><u>\$ 102,402</u></u>	<u><u>\$ 30,864</u></u>

See accompanying notes to combined financial statements.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	<u>Instructional</u>	<u>Management And General</u>	<u>Total</u>
Salaries and benefits	\$ 508,312	\$ 711,409	\$ 1,219,721
Professional services	150,000	280,715	430,715
Supplies	88,896	38,726	127,622
Bus service	-	109,718	109,718
Interest expense	-	102,402	102,402
Depreciation	-	99,639	99,639
Purchased property services	-	86,469	86,469
Food service	78,501	-	78,501
Rent	-	56,679	56,679
Insurance	-	36,772	36,772
Textbooks	31,641	-	31,641
Telephone and postage	348	23,587	23,935
Travel	1,027	17,563	18,590
Miscellaneous expenses	2,401	11,764	14,165
Dues and fees	-	8,605	8,605
Printing and binding	2,203	15	2,218
Advertising	-	128	128
	<u>-</u>	<u>128</u>	<u>128</u>
Total Expenses	<u><u>\$ 863,329</u></u>	<u><u>\$ 1,584,191</u></u>	<u><u>\$ 2,447,520</u></u>

See accompanying notes to combined financial statements.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	Instructional	Management And General	Total
Salaries and benefits	\$ 433,405	\$ 571,201	\$ 1,004,606
Professional services	47,727	623,325	671,052
Supplies	81,547	88,074	169,621
Rent	-	131,560	131,560
Purchased property services	-	97,996	97,996
Bus service	-	91,925	91,925
Miscellaneous expenses	1,784	65,864	67,648
Travel	209	57,201	57,410
Textbooks	46,689	7,617	54,306
Food service	54,145	-	54,145
Depreciation	-	42,218	42,218
Telephone and postage	21	40,389	40,410
Insurance	-	39,283	39,283
Interest expense	-	30,864	30,864
Dues and fees	-	14,906	14,906
Advertising	-	7,173	7,173
Printing and binding	654	2,635	3,289
Grant payments	-	50	50
Total Expenses	\$ 666,181	\$ 1,912,281	\$ 2,578,462

See accompanying notes to combined financial statements.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lagniappe Academies of New Orleans (a nonprofit organization) ("LANO") was incorporated in the fall of 2009 for the purpose of operating a charter school in New Orleans, Louisiana. LANO was created to provide young people with the education and skills needed in a community-centered, neighborhood academy. The State Board of Elementary and Secondary Education granted LANO a Type 5 charter to operate Lagniappe Academies of New Orleans.

Lagniappe Project of New Orleans, Inc. (a nonprofit organization) ("LPNO") was incorporated in the fall of 2008 for the purpose of creating, developing, managing, operating, guiding, directing, promoting, and supporting Louisiana public charter schools, creating, developing, managing, operating, guiding, directing, promoting, and supporting medical facilities for parents and families of school children and staff at such schools.

Both LANO and LPNO share common control and management, and therefore their respective financial statements are combined, as required by FASB ASC 810. The combined entity is referred to as "Lagniappe" throughout this report.

Basis of Accounting

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

Functional Expenses

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

Property and Equipment

All purchases of property and equipment in excess of \$5,000 are capitalized. The straight line method of depreciation is used for assets owned by Lagniappe. Computer equipment has a useful life of 3 years, and buildings have a useful life of 20 years.

Income Tax Status

LANO is a Louisiana nonprofit organization under Section 501(c)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundations. LPNO is a Louisiana nonprofit organization under Section 501(c)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determined to be other than a private foundation. Lagniappe's management believes that Lagniappe continues to operate in a manner that preserves its tax exempt status.

On January 1, 2009, Lagniappe adopted a standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. Lagniappe recognizes the financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, Lagniappe applied the new accounting standard to all tax positions for which the statute of limitations remained open. Lagniappe did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard.

Based on its evaluation, Lagniappe has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. Lagniappe is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before 2009.

Public Support and Revenue

Lagniappe receives its support primarily from the Louisiana State Department of Education, the United States Department of Education, and private contributions.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

Lagniappe recognizes revenue for reimbursable Food Services received from The Louisiana Recovery School District ("RSD"). Lagniappe is billed the net un-reimbursable Food Service costs by RSD. As the School Food Authority, RSD handles all the food services at Lagniappe.

RSD sends monthly invoices to Lagniappe showing the amount the grant revenue covered and the difference that Lagniappe is obligated to pay. The revenue and expense incurred by this grant was \$59,787 and \$33,321 for the years ended June 30, 2012 and 2011, respectively and recorded in the Combined Statements of Activities.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Grants receivable make up a significant portion of Lagniappe's assets. Management has determined that these receivables are fully collectible, and therefore no allowance for doubtful accounts has been recorded.

Estimates

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

Cash and Cash Equivalents

For the purpose of the Combined Statements of Cash Flows, Lagniappe considers all unrestricted, highly liquid investments with an initial maturity of less than three months as cash and cash equivalents.

Basis of Presentation

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

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by Lagniappe is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the organization pursuant to such stipulations.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently Restricted - Net assets whose use by Lagniappe is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the organization.

Subsequent Events

Subsequent events have been evaluated through December 21, 2012, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Lagniappe maintains its cash balance at a single financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ending June 30, 2012. At times during the year, the balance may exceed the federally insured amount. Additionally, in accordance with Dodd-Frank Insurance Provision, non-interest bearing transaction accounts are fully insured by the FDIC. This provision is effective from December 31, 2010 through December 31, 2012.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment for Lagniappe as of June 30, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Buildings	\$ 2,024,674	\$ 1,552,522
Computer Equipment	9,101	9,101
Accumulated depreciation	<u>(142,759)</u>	<u>(43,120)</u>
Property and equipment, net	<u>\$ 1,891,016</u>	<u>\$ 1,518,503</u>

Depreciation expense for Lagniappe was \$99,639 and \$42,218 for the years ended June 30, 2012 and 2011, respectively.

NOTE 4 - RETIREMENT PLAN

Substantially all employees of Lagniappe are members of an employer sponsored 403(b) plan. Covered employees may elect to contribute a portion of their salaries to the plan. Lagniappe's matching contribution to the Plan is 100% of the participant's contributions not to exceed 2% of the participant's compensation. Lagniappe may also make discretionary employer contributions into the plan. Lagniappe made contributions to the plan of \$68,814 and \$27,610 for the years ended June 30, 2012 and 2011, respectively.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 - COMPENSATED ABSENCES

School-Based Employees:

All school-based employees are allowed to use an unspecified number of "sick days." These days are to be used in case of illness of employee or family members. Employees are also granted one "personal day" to handle personal affairs, or for any other personal reason an employee needs a day off. No personal or sick days are carried over into future years and may not be redeemed for additional compensation at the end of the year.

Funding Policy:

School Support Center staff work throughout the year and observe the school holidays. All full time Lagniappe employees will receive a total of one personal day and an unspecified number of sick days per year. Unused balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

NOTE 6 - CONTINGENCIES

State Funding - The continuation of Lagniappe is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

As of June 30, 2012, Lagniappe was not a defendant or co-defendant in any lawsuits arising from the normal course of operations.

NOTE 7 – NOTES PAYABLE

Lagniappe signed a note payable (Loan 1) for the construction of its modular school buildings for \$1,350,000 to NCB Capital Impact dated March 16, 2011, payable in monthly installments of \$20,047, including an interest rate of 6.5%, maturing on March 16, 2018. Lagniappe entered into a second note payable (Loan 2) for the construction of an additional modular school building for \$450,000, dated August 12, 2011, payable in monthly installments of \$6,878. The interest rate for Note 2 is equal to the current weekly average yield for United States Treasury Securities with five (5) year maturities at the closing date plus four percent (4%) per annum, rounded up to the nearest one-eighth of one percent (1/8%) provided, however, that the fixed rate not be less than six and one half percent (6.5%) per annum.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 7 – NOTES PAYABLE (CONTINUED)

Balance as of June 30, 2012:

Loan 1	\$ 1,165,306
Loan 2	441,095
Less current portion	<u>(225,315)</u>
Long-term portion	<u>\$ 1,381,085</u>

The above-described notes payable are collateralized by the modular buildings in which the school operates.

The scheduled maturities of long term debt are as follows:

2013	\$ 225,315
2014	240,405
2015	256,504
2016	273,684
2017	292,010
2018	271,364
2019	<u>47,119</u>
	<u>\$ 1,606,401</u>

Interest expense related to notes payable totaled \$102,305 and \$18,457 for the years ended June 30, 2012 and 2011, respectively.

NOTE 8 - LEASE AGREEMENT

Lagniappe leases the land on which its school buildings are built. The current lease was signed on January 12, 2011 and expires on July 31, 2013, with fixed quarterly payments of \$12,220. Lagniappe exercised its option to renew the lease for an additional year ending July 31, 2014, with quarterly lease payments of \$13,217.

Lease expense for the years ended June 30, 2012 and 2011 was \$47,380 and \$23,500, respectively.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 9 – CONCENTRATIONS

For the year ended June 30, 2012, Lagniappe received approximately 12%, 17%, 14%, and 57% of its total revenues from federal sources, local public school funds, state public school funds, and private contributions, respectively.

For the year ended June 30, 2011, Lagniappe received approximately 16%, 11%, 9%, and 64% of its total revenues from federal sources, local public school funds, state public school funds, and private contributions, respectively.

SUPPLEMENTAL INFORMATION

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

	LANO	LPNO	Eliminations	Total
Cash and cash equivalents	\$ 86,268	\$ 219,176	\$ -	\$ 305,444
Other receivables	5,520	-	-	5,520
Property and equipment, net	1,891,016	-	-	1,891,016
 Total Assets	 <u>\$ 1,982,804</u>	 <u>\$ 219,176</u>	 <u>\$ -</u>	 <u>\$ 2,201,980</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	45,758	487	\$ -	\$ 46,245
Notes payable	1,606,401	-	-	1,606,401
 Total Liabilities	 <u>1,652,159</u>	 <u>487</u>	 <u>-</u>	 <u>1,652,646</u>
 Net Assets:				
Unrestricted	<u>330,645</u>	<u>218,689</u>	<u>-</u>	<u>549,334</u>
 Total Net Assets	 <u>330,645</u>	 <u>218,689</u>	 <u>-</u>	 <u>549,334</u>
 Total Liabilities and Net Assets	 <u>\$ 1,982,804</u>	 <u>\$ 219,176</u>	 <u>\$ -</u>	 <u>\$ 2,201,980</u>

LAGNIAPPE ACADEMIES OF NEW ORLEANS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

UNRESTRICTED NET ASSETS	<u>LANO</u>	<u>LPNO</u>	<u>Eliminations</u>	<u>Total</u>
Public Support Revenues and Other Support				
Donations and contributions	\$ 1,153,473	\$ 1,606,714	\$ (1,142,500)	\$ 1,617,687
Federal sources	334,958	-	-	334,958
Local per pupil aid	467,514	-	-	467,514
State public school funds	384,497	-	-	384,497
Interest Income	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>
 Total Public Support and Other Revenues	 2,340,443	 1,606,715	 (1,142,500)	 2,804,658
 Expenses				
Program services:				
Instructional	862,553	776	-	863,329
Supporting services:				
Management and general	<u>1,319,441</u>	<u>1,407,250</u>	<u>(1,142,500)</u>	<u>1,584,191</u>
 Total Expenses	 <u>2,181,994</u>	 <u>1,408,026</u>	 <u>(1,142,500)</u>	 <u>2,447,520</u>
 Increase in Unrestricted Net Assets	 158,449	 198,689	 -	 357,138
 Net assets at beginning of fiscal year, as restated	 <u>172,196</u>	 <u>20,000</u>	 <u>-</u>	 <u>192,196</u>
 Net assets at end of fiscal year	 <u><u>\$ 330,645</u></u>	 <u><u>\$ 218,689</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 549,334</u></u>

PERFORMANCE STATISTICAL DATA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Lagniappe Academies of New Orleans
New Orleans, Louisiana

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

Our procedures and findings are as follows:

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

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

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

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

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

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

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

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

Public School Data (Schedule K-5)

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

Class Size Characteristics (Schedule K-6)

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

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

10. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by Lagniappe. In the 2011 – 2012 school year, Lagniappe was Pre-K through second grade. Therefore, Schedules K7, K8, and K9 are not applicable.

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

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

Finding:

We noted one (1) instance where the employee education level could not be verified. The personnel files did not include proper documentation to verify the employee education level.

Corrective Action Plan:

Lagniappe has created a checklist for personnel files that we will adhere to for all employee files. Soft copies of documentation are saved on our server but we will also print our hard copies for the personnel files.

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

Finding:

We noted one (1) instance where the employee's certification number was expired per the October 1, 2011 PEP report.

Corrective Action Plan:

At the beginning of each academic school year, we will ensure that we check the personnel files to ensure that all personnel documentations are up to date.

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

Finding:

We noted two (2) instances where the employee experience levels could not be verified. The personnel files did not include proper documentation to verify the employee experience level.

Corrective Action Plan:

Lagniappe has created a checklist for personnel files that we will adhere to for all employee files. Soft copies of documentation are saved on our server but we will also print our hard copies for the personnel files.

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

Finding:

We noted four (4) instances where the employees' experience level was incorrect per the October 1, 2011 PEP report.

Corrective Action Plan:

Due to the departure of key staff members mid-year, we were left having to learn from scratch how to complete some of the state-mandated reporting. Now that we are more proficient in these reports, these errors will not occur in the future.

Public School Staff Data (Schedule K-5)

Finding:

We noted three (3) instances where the employees' annual salary could not be verified. Offers of employment were not included in the employee personnel files.

Corrective Action Plan:

These instances were for employees hired several years ago. We have since created "extension of employment offer letters" for returning employees, which will confirm employee's annual salaries.

Public School Staff Data (Schedule K-5)

Finding:

We noted three (3) instances where the employee salaries per the June 30, 2012 PEP report were incorrect.

Corrective Action Plan:

Due to the departure of key staff members mid-year, we were left having to learn from scratch how to complete some of the state-mandated reporting. Now that we are more proficient in these reports, these errors will not occur in the future.

Public School Staff Data (Schedule K-5)

Finding:

We noted two (2) instances where the employee annual minutes per the June 30, 2012 PEP report were incorrect.

Corrective Action Plan:

Due to the departure of key staff members mid-year, we were left having to learn from scratch how to complete some of the state-mandated reporting. Now that we are more proficient in these reports, these errors will not occur in the future.

Public School Staff Data (Schedule K-5)**Finding:**

We noted one (1) instance where an employee was not included in the June 30, 2012 PEP report. Per the employee's personnel file, the employee hire date was February 27, 2012.

Corrective Action Plan:

Due to the departure of key staff members mid-year, we were left having to learn from scratch how to complete some of the state-mandated reporting. Now that we are more proficient in these reports, these errors will not occur in the future.

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 Lagniappe Academies 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.

Carr, Riggs & Ingram, LLC

December 21, 2012

Lagniappe Academies of New Orleans

NEW ORLEANS, LOUISIANA

Schedule K-1

General Fund Instructional and Support Expenditures

Certain Local Revenue Sources

For the Year Ended June 30, 2012

General Fund Instructional and Equipment Expenditures

Teacher and Student Interaction Activities	
Classroom Teacher Salaries	\$ 264,918
Other Instructional Staff Activities	-
Instructional Staff Employee Benefits	102,299
Purchased Professional and Technical Services	140,255
Instructional Materials and Supplies	61,041
Less: Instructional Equipment	-
Total Teacher and Student Interaction Activities	<u>\$ 568,513</u>
Other Instructional Activities	3,776
Pupil Support Activities	266,603
Less: Equipment for Pupil Support Activities	-
Net Pupil Support Activities	<u>\$ 266,603</u>
Instructional Staff Services	97,256
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	<u>\$ 97,256</u>
School Administration	130,509
Less: Equipment for School Administration	-
Net School Administration	<u>\$ 130,509</u>
Total General Fund Expenditures	<u>\$ 1,066,657</u>
Total General Fund Equipment Expenditures	<u>\$ -</u>

Certain Local Revenue Sources:

Lagniappe Academies does not receive any revenue from local sources.

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-2

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

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	0%	-	0.0%	-	0.0%	-	0%
Bachelor's Degree	4.0	80%	2.0	50.0%	-	0.0%	1.0	50%
Master's Degree	-	0%	2.0	50.0%	-	0.0%	1.0	50%
Master's Degree +30	-	0%	-	0.0%	-	0.0%	-	0%
Specialist in Education	-	0%	-	0.0%	-	0.0%	-	0%
Ph. D. or Ed. D.	1.0	20%	-	0.0%	-	0.0%	-	0%
Total	5.0	100%	4.0	100%	-	0.0%	2.0	100%

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-3

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

Type	2012
	Number
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
Total	1

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

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-4

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

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	-	-	-	-	-	-	-	-
Classroom Teachers	3.0	3.0	3.0	-	-	-	-	9.0
Principals	-	-	1.0	1.0	-	-	-	2.0
Total	3.0	3.0	4.0	1.0	-	-	-	11.0

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-5

Public School Staff Data

For the Year Ended June 30, 2012

2012	All Classroom Teachers	Classroom Teachers Excluding ROTC And Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$45,711	\$45,711
Average Classroom Teacher's Salary Excluding Extra Compensation	\$45,711	\$45,711
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	8	8

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

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-6

Class Size Characteristics

As of October 1, 2011

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	94%	54	2%	1	2%	1	2%	1
Elementary Activity Classes	67%	4	33%	2	-	-	-	-
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.

Lagniappe Academies of New Orleans
NEW ORLEANS, LOUISIANA

Schedule K-9

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

District Achievement Level Results	English		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	-	-	-	-	-	-	-	-
Mastery	2	6%	2	6%	2	6%	-	0%
Basic	9	27%	17	52%	7	22%	6	18%
Approaching Basic	14	43%	9	27%	15	45%	13	40%
Unsatisfactory	8	24%	5	15%	9	27%	14	42%
Total	33	100%	33	100%	33	100%	33	100%

District Achievement Level Results	English		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	-	-	-	-	-	-	-	-
Mastery	1	7%	-	0%	1	7%	-	0%
Basic	4	29%	3	21%	3	21%	5	36%
Approaching Basic	3	21%	3	21%	6	43%	1	7%
Unsatisfactory	6	43%	8	58%	4	29%	8	57%
Total	14	100%	14	100%	14	100%	14	100%

District Achievement Level Results	English		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	-	-	-	-	-	-	-	-
Mastery	2	6%	3	9%	-	0%	-	0%
Basic	18	56%	18	56%	12	38%	8	25%
Approaching Basic	5	16%	4	13%	15	46%	16	50%
Unsatisfactory	7	22%	7	22%	5	16%	8	25%
Total	32	100%	32	100%	32	100%	32	100%

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

Board of Directors
Lagniappe Academies of New Orleans
New Orleans, LA

We have audited the financial statements of Lagniappe Academies of New Orleans (a nonprofit organization) ("Lagniappe") as of June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Lagniappe is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lagniappe'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 Lagniappe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lagniappe'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 Lagniappe's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that

we consider to be significant deficiencies. 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. We consider the deficiencies described in the accompany Schedule of Findings and Responses in items 2012-1 through 2012-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lagniappe'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*.

Lagniappe's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Lagniappe's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Lagniappe's management, Board of Directors, others within Lagniappe, the Legislative Auditor of the State of Louisiana, federal awarding agencies and federal flow 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.

Carr, Riggs & Ingram, LLC

December 21, 2012

LAGNIAPPE ACADEMIES OF NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

2012-1: Timely and Accurate Financial Reporting and Record Keeping

Observation:

We noted that bank reconciliations are not being performed timely, checks are not being recorded in the check register timely, and financial transactions are not being recorded in a timely basis. As a result, preparation of monthly profit and loss and budget to actual reports that are presented to the board will not depict Lagniappe's current financial position accurately. We were advised that bank reconciliations are approved by a responsible employee although no indication of such review was evident on the reconciliations selected for review.

Recommendation:

We recommend that bank accounts be reviewed timely prior to preparation of the monthly financial statements and the reconciliations be reviewed and signed as an indication of approval. Timely recording of checks is an important control over cash disbursements; therefore, we recommend that accounting personnel update the check register regularly to ensure timely and proper recording of cash disbursements and financial transactions.

Management's Corrective Action Plan:

Due to the departure of the Business Manager at the end of last year, we were behind in completing the bank reconciliations. As of December 14, 2012, we are current on our bank reconciles. Moving forward, we will complete the bank reconciliations the first Friday after the last day of the previous month's bank statement.

2012-2: Segregation of Duties

Observation:

We noted members of management performing a variety of duties, some of which may be incompatible. For instance, the person who prepares checks should not be allowed to also sign the checks. The persons preparing the reconciliations should not have related cash receipts or disbursements duties. Also, dual signatures should be required on all checks made to those with check signing privileges.

Recommendation:

We recommend separating these duties to improve internal controls over cash and other assets and reduce the possibility of errors and irregularities. While Lagniappe is in the midst of some personnel changes, reconciling duties should be assigned to employees with no cash functions as soon as possible.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2012

Management's Corrective Action Plan:

We are in the midst of hiring a Business Manager and Office Manager and will segregate duties to ensure proper internal controls.

2012-3: Personnel Files- Repeat Finding

Observation:

During our review of Lagniappe's personnel files, we noted that Lagniappe does not maintain certain documentation that should be present in properly maintained personnel files. Upon review of Lagniappe's policies and procedures, we determined that there is no established policy regarding the specific contents of personnel files. We requested and reviewed a sample of eleven (11) personnel files. We noted three (3) instances of the personnel files missing the employee's service records certifying the teacher's years of experience at other schools and documentation to verify the employee's education. We noted two (2) instances where copies of employee W4's were not included in personnel files. Also, no proof of identification, such as a social security card, driver's license, or Employee Eligibility Verification form (Form I-9) was present in three (3) of the files.

Recommendation:

We recommend that Lagniappe establish and follow policies and procedures regarding specific documentation to be maintained in personnel files. Lagniappe may consider using a checklist for each file to help gather and maintain the proper documentation.

Management's Corrective Action Plan:

Lagniappe has created a checklist for personnel files that we will adhere to for all employee files. Soft copies of documentation are saved on our server but we will also print our hard copies for the personnel files. The Director of Talent will be responsible for gathering all documentation during the hiring process.

2012-4: Criminal History Review

Observation:

During our review of Lagniappe's personnel files, we observed that Lagniappe does not perform criminal history reviews (i.e. background checks) on applicants and employees. In accordance with the Louisiana Administrative Code, Title 28, §2905, criminal history reviews are required to be performed on all employees who might reasonably be expected to be placed in a position of supervisory or disciplinary authority over school children.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2012

Recommendation:

We recommend that Lagniappe perform criminal history reviews on all potential and current employees.

Management's Corrective Action Plan:

The lack of criminal history review is relevant to those employees that were hired for the 2011-2012 school year, as it is always our practice to conduct background checks on all employees. During the 2011-2012 school year, the State changed the background check process whereby it would become automated and available online. In the midst of the change, we did not complete these background checks in a timely manner. All required background checks will be completed by the end of January 2013.

This communication is intended solely for the information and use of management and members of the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

LAGNIAPPE ACADEMIES OF NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2012

Current status of prior year findings:

2011-1: Resolved

2011-2: Resolved

2011-3: Resolved

2011-4: Unresolved- see repeat finding **2012-3**