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Financial Report

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

June 30, 2007

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

Release Date 3/12/08

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d/b/a Lusher Charter School
New Orleans, Louisiana**

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d/b/a Lusher Charter School
New Orleans, Louisiana**

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the 2006 financial statements and in our report dated December 18, 2006, we expressed an unqualified opinion of those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School as of June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report, dated February 21, 2008 on our consideration of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of advocates for Arts-Based Education Corporation d/b/a Lusher Charter School taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 21, 2008.

STATEMENT OF FINANCIAL POSITION

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

June 30, 2007
 (with comparative totals for 2006)

| | <u>2007</u> | <u>2006</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 3,110,724 | \$ 4,500,109 |
| Grants receivable | 2,510,030 | 1,073,053 |
| Unconditional promises to give | - | 14,116 |
| Prepaid expenses | 180,137 | 112,395 |
| Investments | 38,784 | 37,840 |
| Deposits | 81,818 | 7,150 |
| Other | 10,717 | - |
| Property and equipment, net | <u>1,036,462</u> | <u>-</u> |
| Total assets | <u>\$ 6,968,672</u> | <u>\$ 5,744,663</u> |
| LIABILITIES | | |
| Accounts payable | \$ 600,006 | \$ 135,010 |
| Accrued expenses | <u>347,152</u> | <u>35,034</u> |
| Total current liabilities | <u>947,158</u> | <u>170,044</u> |
| NET ASSETS | | |
| Unrestricted | 5,858,164 | 5,202,816 |
| Temporarily restricted | <u>163,350</u> | <u>371,803</u> |
| Total net assets | <u>6,021,514</u> | <u>5,574,619</u> |
| Total liabilities and net assets | <u>\$ 6,968,672</u> | <u>\$ 5,744,663</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES

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

For the year ended June 30, 2007
(with comparative totals for 2006)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2007 Totals</u> | <u>2006 Totals Only</u> |
|---------------------------------------|---------------------|-----------------------------------|------------------------|-----------------------------|
| Revenues and Other Support | | | | |
| Contributions | \$ 198,534 | \$ 214,893 | \$ 413,427 | \$ 2,730,686 |
| Grants: | | | | |
| Federal | 3,120,372 | | 3,120,372 | 2,740,376 |
| State - Minimum Foundation Program | 4,772,678 | | 4,772,678 | 1,630,050 |
| Local - Minimum Foundation Program | 4,540,873 | | 4,540,873 | 1,316,234 |
| Other | 143,839 | | 143,839 | 30,000 |
| Student activity fees | 790,114 | | 790,114 | 154,108 |
| Other revenue | 106,592 | | 106,592 | 55,606 |
| Investment income | 145,028 | | 145,028 | 5,765 |
| Net assets released from restrictions | 423,346 | (423,346) | - | - |
| | <u>14,241,376</u> | <u>(208,453)</u> | <u>14,032,923</u> | <u>8,662,825</u> |
| Expenses | | | | |
| Salaries | 6,588,217 | | 6,588,217 | 2,038,882 |
| Employee benefits | 1,230,373 | | 1,230,373 | 327,794 |
| Supplies: | | | | |
| School | 842,200 | | 842,200 | 167,917 |
| Other - furniture and equipment | 115,013 | | 115,013 | 51,403 |
| Repairs and maintenance | 1,493,984 | | 1,493,984 | 153,791 |
| Food services | 259,249 | | 259,249 | 97,958 |
| Insurance | 154,560 | | 154,560 | 76,711 |
| Payroll tax expense | 146,714 | | 146,714 | 61,913 |
| Other expenses | 347,136 | | 347,136 | 60,509 |
| Professional services | 346,253 | | 346,253 | 31,288 |
| Utilities | 293,531 | | 293,531 | 20,040 |
| Depreciation | 68,825 | | 68,825 | - |
| Transfers to PTSA | 1,699,973 | | 1,699,973 | - |
| | <u>13,586,028</u> | <u>-</u> | <u>13,586,028</u> | <u>3,088,206</u> |
| | <u>655,348</u> | <u>(208,453)</u> | <u>446,895</u> | <u>5,574,619</u> |
| Net Assets | | | | |
| Beginning of year | <u>5,202,816</u> | <u>371,803</u> | <u>5,574,619</u> | <u>-</u> |
| End of year | <u>\$ 5,858,164</u> | <u>\$ 163,350</u> | <u>\$ 6,021,514</u> | <u>\$ 5,574,619</u> |

See notes to financial statements.

STATEMENT OF CASH FLOWS

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

For the year ended June 30, 2007
(with comparative totals for 2006)

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 446,895 | \$ 5,574,619 |
| Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities: | | |
| Depreciation | 68,825 | - |
| Net unrealized and realized gain on investments | (944) | (371) |
| Contributions restricted for the acquisition of property and equipment | (5,949) | (100,722) |
| Contribution of investment | - | (37,469) |
| (Increase) decrease in assets: | | |
| Grants receivable | (1,436,977) | (1,073,053) |
| Unconditional promises to give | 14,116 | (14,116) |
| Prepaid expenses | (67,742) | (112,395) |
| Deposits | (74,668) | (7,150) |
| Other | (10,717) | - |
| Increase in liabilities: | | |
| Accounts payable and accrued expenses | 777,114 | 170,044 |
| Net cash provided by (used in) operating activities | <u>(290,047)</u> | <u>4,399,387</u> |
| Cash Flows From Investing Activities | | |
| Property and equipment purchases | <u>(1,105,287)</u> | - |
| Net cash used in investing activities | <u>(1,105,287)</u> | - |
| Cash Flows From Financing Activities | | |
| Collections of contributions restricted for the acquisition of property and equipment | <u>5,949</u> | 100,722 |
| Net cash provided by financing activities | <u>5,949</u> | 100,722 |
| Net Increase (Decrease) in Cash | <u>(1,389,385)</u> | 4,500,109 |
| Cash | | |
| Beginning of year | <u>4,500,109</u> | - |
| End of year | <u>\$ 3,110,724</u> | <u>4,500,109</u> |
| Supplemental Disclosures of Cash Flows Information | | |
| Non cash investing and financing activities | | |
| Contribution of investment | <u>\$ -</u> | <u>37,469</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

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

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

b. Basis of Accounting

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

c. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

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

The School classifies as cash and cash equivalents all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2007 and 2006.

e. Grants Receivable

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

f. Promises To Give

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

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

g. Investments

Investments consist of a certificate of deposit stated at fair market value.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property, Equipment, and Depreciation

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

i. Compensated Absences

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

j. Contributions and Revenue Recognition

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$116,051 and \$35,051 for year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, respectively, which included donations of musical instruments and other items.

l. Financial Statement Presentation

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

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

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

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

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

m. Tax Matters

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

Note 2 - RESTRICTIONS ON ASSETS

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

Temporarily restricted net assets at June 30, 2007 and 2006 are available for the following purposes:

| | 2007 | 2006 |
|-------------------------------------|------------|------------|
| Instructional and other | \$ 127,439 | \$ 198,248 |
| Property and equipment | - | 100,722 |
| Katrina relief | 35,911 | 72,833 |
| Total temporarily restricted assets | \$ 163,350 | \$ 371,803 |

The School does not have permanently restricted net assets as of June 30, 2007 and 2006.

Note 3 - PROPERTY AND EQUIPMENT

Property and equipment for the year ended June 30, 2007 consists of the following:

| | |
|-------------------------------|--------------|
| Leasehold improvements | \$ 284,277 |
| Equipment | 821,010 |
| | 1,105,287 |
| Less accumulated depreciation | (68,825) |
| Total | \$ 1,036,462 |

Depreciation expense for the year ended June 30, 2007 totaled \$68,825.

Note 4 - LEASES

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

Note 5 - RETIREMENT PLAN

Substantially all employees of the School participate in the Teacher's Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

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

Participants are required to contribute to the plan 8% of their annual covered payroll and the School is required to contribute for the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, 15.8% and 15.9%, respectively, of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, the School contributions to this plan totaled \$868,954 and 266,919, respectively.

The School sponsors a deferred compensation plan pursuant to Section 457(b) and (f) of the Internal Revenue Code for the benefit of an employee. The School's contributions to the plan totaled \$8,667 and \$15,000, respectively, the years ended June 30, 2007 and 2006. These funds are transferred to a separate trust outside the control of the School with the employee as the beneficiary.

Note 6 - GRANTS

The United States Department of Agriculture awarded a grant under the National School Lunch Program. For the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$224,952 and \$77,681, respectively.

Note 6 - GRANTS (Continued)

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to help ensure that all children meet challenging State academic standards. The grant funds must be used to provide additional academic support and learning opportunities to help low-achieving children master challenging curricula and meet state standards in core academic subjects. For the year ended June 30, 2007, the School recognized revenue under this grant of \$1,599,921. The School did not recognize revenue under this grant for the period from August 24, 2005 (inception) through June 30, 2006.

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to assist in the reform of elementary and secondary education. The grant funds must be used to support education reform efforts, implement promising educational reform programs and school improvement programs which rely on scientifically based research, provide a continuing source of innovation and educational improvement including support programs, that provide library services and instructional and media materials, meet the educational needs of all students, including at-risk youths, and develop and implement education programs to improve school, student and teacher performance, including professional development activities, and class-site reduction programs. For the year ended June 30, 2007, the School recognized revenue under this grant of \$441,395. The School did not recognize revenue under this grant for the period from August 24, 2005 (inception) through June 30, 2006.

The United States Department of Education awarded a grant to Orleans Parish School Board (OPSB), which was awarded to the school as a subrecipient, to assist school administrators and personnel in restarting school operations, reopening schools and reenrolling students. The grant funds must be used for recovery of information, financial operations, replacement of instructional materials, redevelopment of instructional pans, and initiating and maintaining education and support services. For the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$413,934 and \$742,142, respectively.

The United States Department of Education awarded a grant to Orleans Parish School Board (OPSB), which was awarded to the school as a subrecipient, to increase academic achievement through strategies such as improving teacher and principal quality and increase the number of highly qualified teachers, principals and assistant principals. The grant funds must be used to assist schools in effectively recruiting and retaining highly qualified teachers, to make available professional development activities that address subject matter knowledge and other activities. For the year ended June 30, 2007, the School recognized revenue under this grant of \$413,766. The School did not recognize revenue under this grant for the period from August 24, 2005 (inception) through June 30, 2006.

Note 6 - GRANTS (Continued)

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to provide a disciplined environment conducive to learning, by preventing violence in and around the school and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, and involve parents. The grant funds must be used to convey a clear and consistent message that illegal use of alcohol and other drugs is wrong and harmful. For the year ended June 30, 2007, the School recognized revenue under this grant of \$26,404. The School did not recognize revenue under this grant for the period from August 24, 2005 (inception) through June 30, 2006.

The United States Department of Education awarded a grant totaling \$1,686,000 to fund the operating costs to eligible charter schools serving displaced students in Hurricane impacted areas. The School must use the award for salaries, employee benefits and other purchased services. For the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,686,000. The School did not recognize revenue under this grant for the year ended June 30, 2007.

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$4,772,678 and \$1,630,050, respectively.

The Orleans Parish School Board (OPSB) provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$4,540,873 and \$1,316,234, respectively.

Note 7 - SCHOOL OPERATIONS/LEASEHOLD INTEREST

Effective January 1, 2006, the School entered into an agreement with the Orleans Parish School Board, which allows the School to use the facilities and its contents located at 7315 Willow Street, 719 S. Carrollton Avenue, 5624 Freret Street, or any other locations as may be approved by the School and OPSB. The agreement expires on December 31, 2011. The agreement may be renewed at the option of the OPSB.

Note 7 - SCHOOL OPERATIONS/LEASEHOLD INTEREST (Continued)

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules. If capital improvements are made by the School with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the Orleans Parish School Board at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

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

Note 8 - FUNCTIONAL ALLOCATION OF EXPENSES

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

Total expenses for the year ended June 30, 2007 and the period from August 24, 2005 (inception) through June 30, 2006 are allocated as follows:

| | 2007 | 2006 |
|------------------------|---------------|--------------|
| Program Services | \$ 13,242,438 | \$ 2,942,475 |
| Supporting Services: | | |
| Management and general | 342,534 | 145,731 |
| Fundraising | 1,056 | - |
| Total expenses | \$ 13,586,028 | \$ 3,088,206 |

Note 9 - COMMITMENTS

The School has employment contracts as is standard in the field of education with most of its employees and which expire July 31, 2007. Additionally, the school has an employment contract with an employee through November 3, 2008. All contracts provide for a minimum annual salary and other benefits. At June 30, 2007, the total commitment was approximately \$443,000 for salary, and \$25,333 for contributions to the deferred compensation plans.

Note 10 - RISK MANAGEMENT

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2007 and for the period from August 24, 2005 (inception) through June 30, 2006.

Note 11 - TRANSFERS TO LUSHER PTSA

The Robert Mills Lusher Alternative Elementary School Parent-Teacher-Student Association (Lusher PTSA) is a non-profit corporation organized to support and assist the School. During the year ended June 30, 2007, the School transferred \$1,600,000 in privately raised, unrestricted non-public funds to Lusher PTSA. The donation was made to assist Lusher PTSA in paying for a portion of the cost of improvements to the School's facilities contracted for by Lusher PTSA.

The School also transferred during the year ended June 30, 2007, \$99,973 which was received from a private donor who wished the donation to be transferred to the Lusher PTSA.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

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

We have audited the financial statements of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), as of June 30, 2007, and have issued our report thereon, dated February 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 07-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be a material weakness. However, we believe that the significant deficiency described as item 07-01 above is a material weakness.

Compliance and Other Matters

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

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 21, 2008.



Bourgeois Bennett

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

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

Compliance

We have audited the compliance of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year then ended June 30, 2007.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the School's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 07-01 to be a material weakness.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on it.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
February 21, 2008.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2007

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|--------------------------------|---------------------------------|
| United States Department of Agriculture: | | |
| <u>Pass-Through Program From:</u> | | |
| <u>Louisiana Department of Education</u> | | |
| <u>Orleans Parish School Board</u> | | |
| Food and Nutrition Services: | | |
| National School Lunch Program | 10.555 | \$ <u>224,952</u> |
| United States Department of Education: | | |
| <u>Pass-Through Program From:</u> | | |
| <u>Louisiana Department of Education</u> | | |
| <u>Orleans Parish School Board</u> | | |
| Title I Grants to Local Educational Agencies | 84.010A | 1,599,921 |
| Title V State Grants for Innovative Programs Elementary and Secondary Education | 84.298A | 441,395 |
| Hurricane Relief - Immediate Aid to Restart School Operations | 84.938A | 413,934 |
| Title II Improving Teacher Quality State Grants | 84.367 | 413,766 |
| Title IV Safe and Drug Free Schools and Communities State Grants | 84.186A | <u>26,404</u> |
| Total United States Department of Education | | <u>2,895,420</u> |
| Total Expenditures of Federal Awards | | <u>\$ 3,120,372</u> |

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School has met the cost reimbursement of funding qualifications for the respective grants. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

b. Accrued Reimbursement

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

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2007.

Note 2 - FINDINGS OF NONCOMPLIANCE

No federal award findings or questioned costs were reported during the audit of the financial statements for the year ended June 30, 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2007

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness? yes none

Noncompliance material to financial statements noted? yes no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness? yes no

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 yes no

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

c) Identification of Major Program:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 84.010A | U.S. Department of Education - Title I Grants to Local Educational Agencies |
| 84.298A | U.S. Department of Education - State Grants for Innovative Programs |
| 84.938A | U.S. Department of Education - Elementary and Secondary Education Hurricane Relief - Immediate Aid to Restart School Operations |
| 84.367 | U.S. Department of Education - Improving Teacher Quality State Grants |

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

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

Internal Control Over Financial Reporting

07-01 Lack of Supporting Documentation of Approval of Teacher Salaries

Criteria - Adequate internal controls relating to approval of teacher pay require that approval of salaries is documented in each employee's personnel file.

Condition - Based on the results of our payroll transaction testing, it was noted that teacher salaries as documented on the payroll registers were not supported by approvals in their personnel files.

Context - Systematic.

Section II - Financial Statement Findings (Continued)

Internal Control Over Financial Reporting (Continued)

07-01 Lack of Supporting Documentation of Approval of Teacher Salaries (Continued)

Cause - Each teacher has a contract for services, which is filed in a separate location, apart from their personnel file.

Effect - The lack of adequate internal controls relating to the documentation and approval of teacher salaries significantly increases the risk that material errors and irregularities could exist and not be detected by management and those in charge of governance.

Recommendation - The School should implement procedures to file documentation of teacher salaries in the personnel files.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical. - None.

Financial statement findings related to internal control 07-01 is also considered a finding related to internal control over federal awards.

Compliance and Other Matters

07-02 Audited Financial Statements Were Not Timely Filed

Criteria - Louisiana state law requires all governmental and quasi-governmental entities that receive state and local government assistance to have audit engagements completed within six months of the close of the Company's fiscal year. The U.S. Office of Management and Budget requires governmental and quasi-governmental entities subject to requirements of U.S. Office of Management and Budget Circular A-133 to have audit engagements completed within nine months of the close of the School's fiscal year. Also, the Charter agreement with the Orleans Parish School Board requires audited financial statements be submitted to them by September 30th of each year.

Section II - Financial Statement Findings (Continued)

Compliance and Other Matters (Continued)

07-02 Audited Financial Statements Were Not Timely Filed (Continued)

Condition - The required audited financial statements were not filed on a timely basis with the Louisiana Legislative Auditor in correlation with the filing requirements of Louisiana Revised Statute 24:513 and the School's Charter agreement.

Context - Isolated to the year ended June 30, 2007.

Effect - Not filing timely reports could result in a loss of federal funding or disqualification from future funding.

Cause - The School was not aware that the agreed upon procedures performed on the Performance measures and Statistical data under Louisiana Revised Statute 24:514 was required to be included in the final audit package until late December 2007, when notification was received from the Legislative Auditor.

Recommendations - The required audited financial statements should be filed on a timely basis with the Louisiana Legislative Auditor and Orleans Parish School Board.

Views of Responsible Officials of the Auditee when there is a Disagreement with Findings, to the Extent Practical - None

Section III - Federal Award Findings and Questioned Costs

Internal Control / Compliance

Financial statement findings related to internal controls over financial reporting 07-01 is also considered finding related to internal controls over federal awards.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS**

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

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

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

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Section II - Internal Control And Compliance Material to Federal Awards

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

Section III - Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

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

For the year ended June 30, 2007

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

Internal Control Over Financial Reporting

07-01 Lack of Supporting Documentation of Approval of Teacher Pay (Continued)

Recommendation - The School should implement procedures to file documentation of teacher salaries in the personnel files.

Management's Corrective Action - The School will implement procedures to document the formal approval of all employees' current salary amounts.

Compliance and Other Matters

07-02 Audited Financial Statements Were Not Timely Filed

Recommendations - The required audited financial statements should be filed on a timely basis with the Louisiana Legislative Auditor and Orleans Parish School Board.

Management's - In the future the required audited financial statements will be filed in a timely manner.

Section II - Internal Control And Compliance Material to Federal Awards

See Management's Corrective Action Plan to finding 07-01, above.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2007.

SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:524 - PERFORMANCE AND STATISTICAL DATA)
(UNAUDITED)



Bourgeois Bennett

To the Board of Directors
Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School
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 Advocates for Arts Based Education, Inc. d/b/a Lusher Charter School (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data for the year ended June 30, 2007, accompanying the annual financial statements of the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. Our engagement to perform agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and applicable 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.

The procedures that were performed are as follows:

Total Instructional and Support Expenses and Certain Local Revenue Sources (General Fund) (Schedule 1)

- 1) We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenses were classified correctly and were reported in the proper amounts for each of the categories reported on Schedule 1.

No exceptions were noted.

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 to the School's supporting payroll records as of October 1, 2006.

No exceptions were noted.

- 3) We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of principals and assistant principals per this schedule.

No exceptions were noted.

- 4) We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2006, and as reported on this schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined the individual's education level was properly classified on this schedule.

No exceptions were noted.

Number and Type of Public Schools (Schedule 3)

- 5) We obtained a list of schools by type as reported on Schedule 3. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA # 84.010) application.

No exceptions were noted.

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 1, 2006, and as reported on this schedule. We traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience is properly classified on this schedule.

No exceptions were noted.

Public School Staff Data: Average Salaries (Schedule 5)

- 7) We obtained a list of all classroom teachers including their base salaries, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent which was used to compute average salaries on the schedule. We traced a random sample of 25 teachers' salaries to the individual's personnel file to determine if the individual's salary, extra compensation, and full-time equivalents are properly included on the list.

We were not able to agree each teacher's salary and extra compensation to the individual's personnel file. There is no formal approval of employees' salaries filed as documentation in the personnel files; however, we did agree the salaries of the 25 test items to payroll reports provided by Paychex, the third party payroll processing company. No exceptions were noted.

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

No exceptions were noted.

Class Size Characteristics (Schedule 6)

- 9) We obtained a list of classes by school, school type, and class size as reported on this schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We traced a random sample of 10 classes to the October 1, 2006 roll books for those classes and determined if the class is properly classified on this schedule.

No exceptions were noted.

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 this schedule by the School.

No exceptions were noted.

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 this schedule by the School.

No exceptions were noted.

Iowa and 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 this schedule by the School.

No exceptions were noted.

We are 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 the School, 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.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, Louisiana,
February 21, 2008.

**TOTAL INSTRUCTIONAL AND SUPPORT EXPENSES AND
CERTAIN LOCAL REVENUE SOURCES (GENERAL FUND)**

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

Instructional and Equipment Expenses

Instructional Expenditures:

Teacher and Student Interaction Activities:

| | |
|---|----------------|
| Classroom Teacher Salaries | \$ 3,475,760 |
| Other Instructional Staff Salaries | 72,949 |
| Employee Benefits | 866,012 |
| Purchased Professional and Technical Services | 38,880 |
| Instructional Materials and Supplies | 406,619 |
| Instructional Equipment | <u>239,500</u> |

Total Teacher and Student Interaction Activities **\$ 5,099,720**

Other Instructional Activities **852,517**

| | |
|--|----------|
| Pupil Support Services | 480,476 |
| Less: Equipment for Pupil Support Services | <u>-</u> |

Net Pupil Support Services **480,476**

| | |
|--|----------------|
| Instructional Staff Services | 626,566 |
| Less: Equipment for Instructional Staff Services | <u>(3,542)</u> |

Net Instructional Staff Services **623,024**

| | |
|---|----------------|
| School Administration | 1,108,281 |
| Less: Equipment for School Administration | <u>(8,303)</u> |

Net School Administration **1,099,978**

Total Instructional Expenses **\$ 8,155,715**

Total Equipment Expenses **\$ 269,635**

**Schedule 1
(Continued)**

Certain Local Revenue Sources

Local Taxation Revenue:

| | |
|--|------|
| 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 | - |
| Sales and Use Taxes | - |

| | |
|------------------------------|-------------|
| Total Local Taxation Revenue | <u>\$ -</u> |
|------------------------------|-------------|

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 | <u>\$ -</u> |
|---|-------------|

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 | <u>\$ -</u> |
|--------------------------------------|-------------|

| | |
|----------------------------|-------------|
| Nonpublic Textbook Revenue | <u>\$ -</u> |
|----------------------------|-------------|

| | |
|----------------------------------|-------------|
| Nonpublic Transportation Revenue | <u>\$ -</u> |
|----------------------------------|-------------|

EDUCATION LEVELS OF PUBLIC SCHOOL STAFF

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| | Full-time Classroom Teachers | | Principals and Assistant Principals | |
|-------------------------------|------------------------------|-----------------------|-------------------------------------|-----------------------|
| | Certified Number | Uncertified Number | Certified Number | Uncertified Number |
| Less than a Bachelor's Degree | 1 | - | - | - |
| Bachelor's Degree | 36 | - | - | - |
| Master's Degree | 40 | 4 | 4 | 100 |
| Master's Degree + 30 | 7 | - | - | - |
| Specialist in Education | 1 | - | - | - |
| Ph. D. or Ed. D. | 2 | - | - | - |
| Total | 87 | 4 | 4 | 100 |

NUMBER AND TYPE OF PUBLIC SCHOOLS**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| <u>Type</u> | <u>Number</u> |
|-----------------|-----------------|
| Elementary | - |
| Middle/Jr. High | - |
| Secondary | - |
| Combination | <u>1</u> |
| Total | <u><u>1</u></u> |

**EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS,
AND FULL TIME CLASSROOM TEACHERS**

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| | <u>0-1 Yr.</u> | <u>2-3 Yrs.</u> | <u>4-10 Yrs.</u> | <u>11-14 Yrs.</u> | <u>15-19 Yrs.</u> | <u>20-24 Yrs.</u> | <u>25+ Yrs.</u> | <u>Total</u> |
|----------------------|----------------|-----------------|------------------|-------------------|-------------------|-------------------|-----------------|--------------|
| Assistant Principals | | | | | | 1 | 2 | 3 |
| Principals | 12 | 9 | 24 | 14 | 7 | 13 | 1 | 1 |
| Classroom Teachers | <u>12</u> | <u>9</u> | <u>24</u> | <u>14</u> | <u>7</u> | <u>13</u> | <u>12</u> | <u>91</u> |
| Total | <u>12</u> | <u>9</u> | <u>24</u> | <u>14</u> | <u>7</u> | <u>14</u> | <u>15</u> | <u>95</u> |

PUBLIC SCHOOL STAFF DATA: AVERAGE SALARIES

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| | <u>All Classroom Teachers</u> | <u>Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions</u> |
|---|-------------------------------|---|
| Average Classroom Teachers Salary Including Extra Compensation | <u>\$ 47,807</u> | <u>\$ 47,520</u> |
| Average Classroom Teachers Salary Excluding Extra Compensation | <u>\$ 42,193</u> | <u>\$ 41,948</u> |
| Number of Teacher Full-Time Equivalents (FTEs) used in Computation of Average Salaries | <u>87.9</u> | <u>84.9</u> |

CLASS SIZE CHARACTERISTICS**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**As of October 1, 2006
(Unaudited)

| School Type | Class Size Range | | | | | | | | |
|-------------------------------------|------------------|---------|--------|---------|--------|---------|--------|---------|---|
| | 1-20 | | 21-26 | | 27-33 | | 34+ | | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | |
| Elementary | - | - | - | - | - | - | - | - | - |
| Elementary Activity Classes | - | - | - | - | - | - | - | - | - |
| Middle/Jr. High | - | - | - | - | - | - | - | - | - |
| Middle/Jr. High Activity Classes | - | - | - | - | - | - | - | - | - |
| High | - | - | - | - | - | - | - | - | - |
| High Activity Classes | - | - | - | - | - | - | - | - | - |
| Combination | 317 | 63 | 140 | 28 | 16 | 3 | - | - | - |
| Combination Activity Classes | 25 | 5 | 4 | 1 | 2 | - | - | - | - |

**LOUISIANA EDUCATION ASSESSMENT PROGRAM FOR
THE 21ST CENTURY (LEAP)**

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| <u>School Achievement Level Results</u> | <u>English Language Arts</u> | | <u>Mathematics</u> | |
|---|------------------------------|----------------|--------------------|----------------|
| | 2007 | | 2007 | |
| <u>Students</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 4 | | | | |
| Advanced | 15 | 13 | 7 | 6 |
| Mastery | 50 | 45 | 28 | 25 |
| Basic | 32 | 29 | 62 | 56 |
| Approaching Basic | 12 | 11 | 9 | 8 |
| Unsatisfactory | 2 | 2 | 5 | 5 |
| Total | 111 | 100 | 111 | 100 |

| <u>School Achievement Level Results</u> | <u>Science</u> | | <u>Social Studies</u> | |
|---|----------------|----------------|-----------------------|----------------|
| | 2007 | | 2007 | |
| <u>Students</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 4 | | | | |
| Advanced | 4 | 4 | 5 | 5 |
| Mastery | 28 | 25 | 34 | 31 |
| Basic | 59 | 54 | 62 | 56 |
| Approaching Basic | 17 | 15 | 6 | 5 |
| Unsatisfactory | 2 | 2 | 3 | 3 |
| Total | 110 | 100 | 110 | 100 |

**Schedule 7
(Continued)**

| <u>School Achievement Level Results</u> | <u>English Language Arts</u> | | <u>Mathematics</u> | |
|---|------------------------------|----------------|--------------------|----------------|
| <u>Students</u> | <u>2007</u> | | <u>2007</u> | |
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 8 | | | | |
| Advanced | 9 | 6 | 57 | 38 |
| Mastery | 80 | 54 | 33 | 22 |
| Basic | 51 | 34 | 54 | 36 |
| Approaching Basic | 9 | 6 | 5 | 4 |
| Unsatisfactory | - | - | - | - |
| Total | <u>149</u> | <u>100</u> | <u>149</u> | <u>100</u> |

| <u>School Achievement Level Results</u> | <u>Science</u> | | <u>Social Studies</u> | |
|---|----------------|----------------|-----------------------|----------------|
| <u>Students</u> | <u>2007</u> | | <u>2007</u> | |
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 8 | | | | |
| Advanced | 21 | 14 | 15 | 10 |
| Mastery | 85 | 57 | 73 | 49 |
| Basic | 37 | 25 | 57 | 38 |
| Approaching Basic | 6 | 4 | 4 | 3 |
| Unsatisfactory | - | - | - | - |
| Total | <u>149</u> | <u>100</u> | <u>149</u> | <u>100</u> |

**GRADUATION EXIT EXAMINATION FOR
THE 21ST CENTURY (GEE)**

**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**

For the Year Ended June 30, 2007
(Unaudited)

| <u>School Achievement Level Results</u> | <u>English Language Arts</u> | | <u>Mathematics</u> | |
|---|------------------------------|----------------|--------------------|----------------|
| | 2007 | | 2007 | |
| <u>Students</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 10 | | | | |
| Advanced | 4 | 6 | 15 | 23 |
| Mastery | 18 | 27 | 25 | 38 |
| Basic | 37 | 57 | 18 | 27 |
| Approaching Basic | 3 | 5 | 4 | 6 |
| Unsatisfactory | 3 | 5 | 4 | 6 |
| Total | 65 | 100 | 66 | 100 |

| <u>School Achievement Level Results</u> | <u>Science</u> | | <u>Social Studies</u> | |
|---|----------------|----------------|-----------------------|----------------|
| | 2007 | | 2007 | |
| <u>Students</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Grade 11 | | | | |
| Advanced | 9 | 21 | - | - |
| Mastery | 13 | 31 | 11 | 26 |
| Basic | 13 | 31 | 27 | 64 |
| Approaching Basic | 3 | 7 | 1 | 3 |
| Unsatisfactory | 4 | 10 | 3 | 7 |
| Total | 42 | 100 | 42 | 100 |

IOWA AND /LEAP TESTS**Advocates for Arts Based Education, Inc.
d/b/a Lusher Charter School**For the Year Ended June 30, 2007
(Unaudited)**iLEAP TESTS:**

| School Achievement Level Results | English Language Arts 2006 | | Mathematics 2006 | | Science 2006 | | Social Studies 2006 | |
|-------------------------------------|-------------------------------|------------|---------------------|------------|-----------------|------------|------------------------|------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | 14 | 17 | 12 | 14 | | | | |
| Mastery | 27 | 32 | 31 | 37 | | | | |
| Basic | 24 | 28 | 23 | 27 | | | | |
| Approaching Basic | 13 | 15 | 13 | 16 | | | | |
| Unsatisfactory | 7 | 8 | 5 | 6 | | | | |
| Total | 85 | 100 | 84 | 100 | | | | |
| Grade 5 | | | | | | | | |
| Advanced | 6 | 8 | 15 | 20 | 1 | 1 | 10 | 13 |
| Mastery | 29 | 39 | 22 | 30 | 20 | 27 | 19 | 26 |
| Basic | 30 | 41 | 24 | 33 | 41 | 55 | 36 | 49 |
| Approaching Basic | 8 | 11 | 9 | 12 | 10 | 14 | 9 | 12 |
| Unsatisfactory | 1 | 1 | 4 | 5 | 2 | 3 | - | - |
| Total | 74 | 100 | 74 | 100 | 74 | 100 | 74 | 100 |
| Grade 6 | | | | | | | | |
| Advanced | 16 | 15 | 18 | 17 | 9 | 9 | 27 | 26 |
| Mastery | 51 | 49 | 24 | 23 | 44 | 42 | 29 | 28 |
| Basic | 35 | 34 | 51 | 49 | 40 | 38 | 37 | 35 |
| Approaching Basic | 2 | 2 | 8 | 8 | 11 | 11 | 8 | 8 |
| Unsatisfactory | - | - | 3 | 3 | - | - | 3 | 3 |
| Total | 104 | 100 | 104 | 100 | 104 | 100 | 104 | 100 |

**Schedule 9
(Continued)**

| School Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|-------------------------------------|-----------------------|------------|-------------|------------|-----------|------------|----------------|------------|
| | 2006 | | 2006 | | 2006 | | 2006 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 7 | | | | | | | | |
| Advanced | 32 | 32 | 23 | 23 | 14 | 14 | 6 | 6 |
| Mastery | 38 | 39 | 23 | 23 | 46 | 47 | 38 | 38 |
| Basic | 22 | 22 | 43 | 44 | 28 | 28 | 48 | 49 |
| Approaching Basic | 4 | 4 | 9 | 9 | 9 | 9 | 5 | 5 |
| Unsatisfactory | 3 | 3 | 1 | 1 | 2 | 2 | 2 | 2 |
| Total | 99 | 100 | 99 | 100 | 99 | 100 | 99 | 100 |

| School Achievement Level Results | English Language Arts | | Mathematics | |
|-------------------------------------|-----------------------|------------|-------------|------------|
| | 2006 | | 2006 | |
| | Number | Percent | Number | Percent |
| Grade 9 | | | | |
| Advanced | 1 | 4 | 5 | 19 |
| Mastery | 10 | 37 | 5 | 19 |
| Basic | 14 | 52 | 14 | 52 |
| Approaching Basic | 2 | 7 | 1 | 3 |
| Unsatisfactory | - | - | 2 | 7 |
| Total | 27 | 100 | 27 | 100 |

| School Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|-------------------------------------|-----------------------|------------|-------------|------------|------------|------------|----------------|------------|
| | 2007 | | 2007 | | 2007 | | 2007 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | 21 | 20 | 22 | 20 | 10 | 9 | 15 | 14 |
| Mastery | 35 | 33 | 36 | 34 | 37 | 35 | 31 | 29 |
| Basic | 38 | 35 | 35 | 33 | 41 | 38 | 50 | 47 |
| Approaching Basic | 8 | 7 | 9 | 8 | 17 | 16 | 9 | 8 |
| Unsatisfactory | 5 | 5 | 5 | 5 | 2 | 2 | 2 | 2 |
| Total | 107 | 100 | 107 | 100 | 107 | 100 | 107 | 100 |

| School Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|-------------------------------------|-----------------------|------------|-------------|------------|------------|------------|----------------|------------|
| | 2007 | | 2007 | | 2007 | | 2007 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 5 | | | | | | | | |
| Advanced | 31 | 29 | 24 | 22 | 3 | 3 | 24 | 23 |
| Mastery | 25 | 24 | 35 | 33 | 40 | 38 | 26 | 25 |
| Basic | 44 | 41 | 38 | 36 | 45 | 42 | 45 | 42 |
| Approaching Basic | 4 | 4 | 6 | 6 | 17 | 16 | 9 | 8 |
| Unsatisfactory | 2 | 2 | 3 | 3 | 1 | 1 | 2 | 2 |
| Total | 106 | 100 | 106 | 100 | 106 | 100 | 106 | 100 |

**Schedule 9
(Continued)**

| School Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|-------------------------------------|-----------------------|------------|-------------|------------|------------|------------|----------------|------------|
| | 2007 | | 2007 | | 2007 | | 2007 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 6 | | | | | | | | |
| Advanced | 23 | 18 | 29 | 23 | 6 | 5 | 10 | 8 |
| Mastery | 46 | 35 | 34 | 26 | 42 | 32 | 37 | 29 |
| Basic | 53 | 41 | 61 | 47 | 62 | 48 | 75 | 58 |
| Approaching Basic | 5 | 4 | 3 | 2 | 18 | 14 | 4 | 3 |
| Unsatisfactory | 2 | 2 | 2 | 2 | 1 | 1 | 3 | 2 |
| Total | 129 | 100 | 129 | 100 | 129 | 100 | 129 | 100 |

| School Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|-------------------------------------|-----------------------|------------|-------------|------------|------------|------------|----------------|------------|
| | 2007 | | 2007 | | 2007 | | 2007 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 7 | | | | | | | | |
| Advanced | 43 | 30 | 29 | 20 | 18 | 13 | 14 | 10 |
| Mastery | 61 | 43 | 41 | 29 | 57 | 40 | 71 | 50 |
| Basic | 34 | 24 | 66 | 47 | 61 | 43 | 48 | 34 |
| Approaching Basic | 3 | 2 | 6 | 4 | 5 | 3 | 7 | 5 |
| Unsatisfactory | 1 | 1 | - | - | 1 | 1 | 1 | 1 |
| Total | 142 | 100 | 142 | 100 | 142 | 100 | 141 | 100 |

| School Achievement Level Results | English Language Arts | | Mathematics | |
|-------------------------------------|-----------------------|------------|-------------|------------|
| | 2007 | | 2007 | |
| | Number | Percent | Number | Percent |
| Grade 9 | | | | |
| Advanced | 9 | 8 | 17 | 14 |
| Mastery | 56 | 47 | 27 | 23 |
| Basic | 48 | 40 | 65 | 55 |
| Approaching Basic | 5 | 4 | 5 | 4 |
| Unsatisfactory | 1 | 1 | 5 | 4 |
| Total | 119 | 100 | 119 | 100 |

2005 was the last year of Iowa testing. From 2006 and forward, iLeap has taken its place. Therefore, testing of the Iowa tests is not applicable.