

Collegiate Academies

FINANCIAL STATEMENTS

June 30, 2014 and 2013



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Collegiate Academies
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Collegiate Academies (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Collegiate Academies as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of Collegiate Academies's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Collegiate Academies' internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC

November 25, 2014

Collegiate Academies
Statements of Financial Position

December 31,	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 883,999	\$ 279,737
Grants receivable	366,633	569,004
Prepaid expenses and other current assets	17,565	39,703
Total current assets	1,268,197	888,444
Investments	1,114,000	989,691
Deposit	39,020	7,500
Total assets	\$ 2,421,217	\$ 1,885,635
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 280,297	\$ 186,453
Deferred revenues	65,000	-
Total current liabilities	345,297	186,453
Net assets		
Unrestricted	2,047,337	1,622,213
Temporarily restricted	28,583	76,969
Total net assets	2,075,920	1,699,182
Total liabilities and net assets	\$ 2,421,217	\$ 1,885,635

See accompanying notes to the financial statements.

Collegiate Academies
Statements of Activities

For the years ended December 31,	2014	2013
Change in unrestricted net assets:		
Revenue from public support and other support:		
State public school funds	\$ 3,879,805	\$ 2,930,482
Local per pupil aid	4,772,400	2,636,554
Federal sources	2,681,881	2,054,783
Donations and contributions	933,968	998,946
Investment income	129,735	81,375
Total revenue from public support and other support	12,397,789	8,702,140
Net assets released from restrictions	91,636	335,290
Total revenues	12,489,425	9,037,430
Expenses:		
Program services -		
Instructional	6,096,575	4,251,329
Supporting services -		
Management and general	5,967,726	4,560,371
Total expenses	12,064,301	8,811,700
Increase in unrestricted net assets	425,124	225,730
Change in temporarily restricted net assets:		
Donations and contributions	43,250	348,021
Net assets released from restrictions	(91,636)	(335,290)
(Decrease) increase in temporarily restricted net assets	(48,386)	12,731
Increase in net assets	376,738	238,461
Net assets at beginning of year	1,699,182	1,460,721
Net assets at end of year	\$ 2,075,920	\$ 1,699,182

See accompanying notes to the financial statements.

Collegiate Academies
Statements of Cash Flows

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 376,738	\$ 238,461
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Net unrealized (gain) on investments	(70,085)	(54,123)
Decrease (increase) in grants receivable	202,371	(425,481)
Decrease (increase) in prepaid expenses & other current assets	22,138	(12,487)
(Increase) in deposits	(31,520)	-
Increase in accounts payable and accrued expenses	93,844	120,941
Increase in deferred revenues	65,000	-
Net cash provided by (used in) operating activities	658,486	(132,689)
Cash flows from investing activities:		
Sale of investments	322,465	313,076
Purchase of investments	(376,689)	(334,157)
Net cash (used in) investing activities	(54,224)	(21,081)
Net increase (decrease) in cash and cash equivalents	604,262	(153,770)
Cash and cash equivalents at beginning of year	279,737	433,507
Cash and cash equivalents at end of year	\$ 883,999	\$ 279,737

See accompanying notes to the financial statements.

Collegiate Academies
Statement of Functional Expenses - 2014

	Instructional	Management and General	Total
Salaries and benefits	\$ 4,073,914	\$ 2,881,682	\$ 6,955,596
Bus service	-	1,191,356	1,191,356
Supplies	742,496	243,009	985,505
Professional services	412,890	496,459	909,349
Food service	618,570	-	618,570
Purchased property services	-	375,796	375,796
Travel	81,413	121,445	202,858
Dues and fees	136,510	174,565	311,075
Insurance	-	123,374	123,374
Utilities	-	219,084	219,084
Printing and binding	3,513	103,027	106,540
Telephone and postage	15,381	3,441	18,822
Recruiting	-	34,488	34,488
Textbooks	11,888	-	11,888
Total expenses	\$ 6,096,575	\$ 5,967,726	\$12,064,301

See accompanying notes to the financial statements.

Collegiate Academies
Statement of Functional Expenses - 2013

	Instructional	Management and General	Total
Salaries and benefits	\$ 2,818,873	\$ 2,432,875	\$ 5,251,748
Bus service	-	838,225	838,225
Supplies	429,838	256,008	685,846
Professional services	390,166	280,941	671,107
Food service	398,721	-	398,721
Purchased property services	-	217,763	217,763
Travel	104,495	107,771	212,266
Dues and fees	29,067	130,105	159,172
Insurance	-	93,661	93,661
Utilities	-	83,821	83,821
Printing and binding	5,150	68,146	73,296
Telephone and postage	36,788	8,370	45,158
Recruiting	-	42,685	42,685
Textbooks	38,231	-	38,231
Total expenses	\$ 4,251,329	\$ 4,560,371	\$ 8,811,700

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collegiate Academies (the "Organization") was incorporated in May of 2010 as New Orleans Charter Science and Math Academy for the purpose of operating a transformation charter school in New Orleans. Effective July 1, 2010, the assets and liabilities of New Orleans Charter Science and Math Academy were transferred from another non-profit organization (Advocates for Science and Mathematics Education, Inc.). In February of 2011, the Board of New Orleans Charter Science and Math Academy approved a name change to Collegiate Academies. The Organization was created to develop college-bound students for leadership and lifelong learning. The State Board of Elementary and Secondary Education granted the Organization a Type 5 charter to operate Collegiate Academies. In August 2013, the Organization expanded by adding two (2) new high schools with ninth grade only, George Washington Carver Collegiate Academy and George Washington Carver Preparatory Academy. In the 2014 school year, tenth grade was added to both schools as planned. The Organization intends to add an additional grade to each of the new schools each year until all three (3) high schools contain grades 9-12.

Basis of Accounting

The financial statements have been prepared using 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 the functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook (LAUGH).

Income Tax Status

The Organization is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax. Management believes that all tax positions would be sustained if audited. There were no penalties or interest on income taxes incurred in 2014 or 2013, but, if incurred, they would be classified in the Statements of Activities as management and general expense. The Organization's tax filings since June 30, 2011 are currently open to audit under the statutes of limitations by the Internal Revenue Service.

Public Support and Revenue

The Organization receives its support primarily from the Louisiana State Department of Education and the United States Department of Education.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization recognizes revenue for reimbursable Food Services received from KIPP Public Charter Schools ("KIPP"). The Organization is billed the net unreimbursable food service costs by KIPP. As the School Food Authority, KIPP handles all food services at the Organization.

KIPP sends monthly invoices to the Organization showing the amount which the grant revenue covered and the difference that the Organization is obligated to pay. The revenue recognized and expense incurred related to this grant was \$565,491 and \$485,502 for the years ended June 30, 2014 and 2013, respectively.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial 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 Statements of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as unrestricted support.

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 results could differ from those estimates.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less. There were no cash equivalents at June 30, 2014 or 2013.

Investments

Investments are reported at their fair values in the Statements of Financial Position. Fair values for mutual funds and exchange-traded funds are based on the quoted market price (which is net asset value). Unrealized gains and losses are included in the change in unrestricted net assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management continually evaluates investments for impairment. Consideration is given to the financial condition and prospects of the issuer, management's intent to sell an investment, and the intent and ability to retain its investment in the issue for a period of time sufficient to allow for any anticipated recovery in fair value. If a need to recognize impairment is identified, an amount representing the difference between the fair value of the affected investment and its carrying amount is included in the change in net assets.

Compensated Absences

All full time teachers and staff are provided up to seven no-fault days and three sick days. Unused no-fault and sick leave balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

Basis of Presentation

The Organization follows the provisions of Not-For-Profit Entities Topic (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 categories 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 the Organization 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 (donor-restricted support whose restrictions are met in the same reporting period are reported as unrestricted revenues).
- Permanently restricted - Net assets whose use by the Organization 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.

Line of Credit

The Organization maintained a \$250,000 line of credit with a financial institution at a rate to be determined by the lender when funds are borrowed. The Organization had no outstanding balance on this line of credit as of June 30, 2014 and 2013. The line of credit agreement expired on May 8, 2014.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through November 25, 2014, the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS

The carrying amounts and estimated fair values of investments were as follows (number in parentheses by description equals the quantity of securities):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>June 30, 2014</u>				
Unrealized gains:				
Mutual funds (10)	\$ 600,983	\$ 144,164	\$ -	\$ 745,147
Fixed income funds (5)	<u>240,898</u>	<u>3,648</u>	<u>-</u>	<u>244,546</u>
	<u>841,881</u>	<u>147,812</u>	<u>-</u>	<u>989,693</u>
Unrealized losses:				
less than 12 months:				
Fixed income funds (2)	<u>124,938</u>	<u>-</u>	<u>(631)</u>	<u>124,307</u>
	<u>\$ 966,819</u>	<u>\$ 147,812</u>	<u>\$ (631)</u>	<u>\$ 1,114,000</u>

Collegiate Academies
Notes to Financial Statements

NOTE 2: INVESTMENTS (CONTINUED)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>June 30, 2013</u>				
Unrealized gains:				
Mutual funds (6)	\$ 505,976	\$ 68,396	\$ -	\$ 382,747
Exchange-traded funds (2)	<u>77,298</u>	<u>150</u>	<u>-</u>	<u>260,978</u>
	<u>583,274</u>	<u>68,546</u>	<u>-</u>	<u>643,725</u>
 Unrealized losses:				
less than 12 months:				
Mutual funds (5)	97,022	-	(4,579)	92,443
Exchange-traded funds (2)	<u>255,272</u>	<u>-</u>	<u>(9,844)</u>	<u>245,428</u>
	<u>352,294</u>	<u>-</u>	<u>(14,423)</u>	<u>337,871</u>
	<u>\$ 935,568</u>	<u>\$ 68,546</u>	<u>\$ (14,423)</u>	<u>\$ 989,691</u>

At June 30, 2014 and 2013, management believes that no investment security with a fair value below cost was other-than-temporarily impaired because declines in values were considered due to interest rate and other short-term fluctuations.

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at:

	<u>June 30,</u>	
	2014	2013
Blended learning	\$22,022	\$13,536
Technology	2,570	13,020
Breakfast	2,412	-
Music program	909	10,644
Garden	670	2,068
Common core work	-	30,000
Science curriculum and lab	-	7,501
Books	-	200
	<u>\$28,583</u>	<u>\$76,969</u>

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization maintained cash accounts at local banks during 2014 and 2013. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. At various times in 2014 and 2013, the Organization had funds on deposit at these entities which were in excess of the insured amount. The financial institution has pledged securities on behalf of the Organization to secure any cash balances that exceed the insured amount.

For the year ended June 30, 2014, the Organization received twenty-two (22) percent of its total revenue from federal sources and thirty-one (31) percent of its total revenues from state public school funds. For the year ended June 30, 2013, the Organization received twenty-five (25) percent of its total revenue from federal sources and thirty-six (36) percent of its total revenues from state public school funds.

NOTE 5: RETIREMENT PLAN

During 2011, the Organization sponsored a 403(b) plan. Covered employees may elect to contribute a portion of their salaries to the plan. The Organization may elect to make discretionary contributions during any plan year. The Organization elected to make discretionary contributions of \$78,127 and \$65,676 for the years ended June 30, 2014 and 2013, respectively.

NOTE 6: CONTINGENCIES

State Funding - The continuation of the Organization 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.

NOTE 7: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments are measured at fair value on a recurring basis. For assets that are measured at fair value in periods after initial recognition, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 in 2014 and 2013. Transfers are recognized as of the actual date of the event. Nonrecurring fair value adjustments, if any, would typically involve donated property and equipment or impairment accounting. There were no nonrecurring fair value adjustments in 2014 and 2013.

NOTE 7: FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 - Quoted market prices in active markets for identical assets at the measurement date.

Level 2 - Observable inputs (market data obtained from independent sources) other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Organization.

Level 3 - Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

The investments are valued at fair value using a market approach. The valuation methodology used for assets measured at fair value is as follows. Level 1 investments include those traded on an active exchange and encompass mutual funds and exchange-traded funds. These funds are valued at fair value at the net asset value of the shares held by the Organization at year end. Net asset value is calculated daily. There were no Level 2 or Level 3 investments. There has been no change in this methodology used during the year.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investments are reported at fair value in the accompanying statement of financial position on a recurring basis.

NOTE 7: FAIR VALUE MEASUREMENTS (CONTINUED)

		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>As of June 30, 2014</u>				
Mutual funds:				
Fixed income funds	\$ 368,853	\$ 368,853	\$ -	\$ -
Equity funds	<u>745,147</u>	<u>745,147</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,114,000</u>	<u>\$ 1,114,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>As of June 30, 2013</u>				
Mutual funds:				
Fixed income funds	\$ 322,876	\$ 322,876	\$ -	\$ -
Equity funds	<u>666,815</u>	<u>666,815</u>	<u>-</u>	<u>-</u>
	<u>\$ 989,691</u>	<u>\$ 989,691</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8: LEASE AGREEMENT

The Organization has entered into a rent-free lease agreement with the State of Louisiana Department of Education, Recovery School District (the "RSD") for the use of buildings and grounds as school facilities. The Organization is responsible for the payment of utilities, janitorial and sanitation, disposal services, and property taxes. There is no formal written lease agreement and therefore no amounts have been recognized as donated facilities.

The lease agreement states the RSD may move the Organization at any time as long as the RSD provides another facility deemed reasonable, taking into consideration such factors as building capacity, design alignment with grade levels served by the Organization, projected enrollment, program specific needs, and community needs.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors
Collegiate Academies
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 Collegiate Academies (a nonprofit organization) 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 Collegiate Academies 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. Collegiate Academies 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 Levels of Public School Staff (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, 2013.
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, 2013 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, 2013 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 Staff 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 25 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, 2013 roll books for those classes and determined that the class was properly classified on the schedule.

Graduation Exit Examination (GEE) (Schedule 8)

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 the school.

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

Education Levels of Public School Staff (Schedule K-2)

Finding:

We noted two (2) instances where a teacher was listed on the October 2013 PEP report by Collegiate Academies with a Bachelor's degree however the teacher had a Master's degree as of October 1, 2013.

Corrective Action Plan:

Management will update the PEP report to ensure that information accurately reflects CA teachers' experience and credentials in future reports. Also, a policy has been implemented where the director of data will review information in the PEP report prior to submission at the end of the academic year and signoff their approval confirming that all details are complete and accurate.

Finding:

We noted eight (8) instances where teachers were listed as certified on the October 2013 PEP report by Collegiate Academies however their certifications had expired.

Corrective Action Plan:

Management will update the PEP report to ensure that information accurately reflects CA teachers' experience and credentials in future reports. Also, a policy has been implemented where the director of data will review information in the PEP report prior to submission at the end of the academic year and signoff their approval confirming that all details are complete and accurate.

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

Finding:

We noted two (2) instances where teachers had the incorrect number of years of teaching experience on the October 2013 PEP report by Collegiate Academies.

Corrective Action Plan:

Management will update the PEP report to ensure that information accurately reflects CA teachers' experience and credentials in future reports. Also, a policy has been implemented where the director of data will review information in the PEP report prior to submission at the end of the academic year and signoff their approval confirming that all details are complete and accurate.

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 Collegiate Academies, 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

November 25, 2014

Collegiate Academies**Schedule K-1: General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources for the Year Ended June 30, 2014**General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:		
Classroom teacher salaries	\$ 2,229,331	
Other instructional staff activities	112,142	
Employee benefits	434,968	
Purchased professional and technical services	115,112	
Instructional materials and supplies	678,055	
Less instructional equipment	-	
Total teacher and student interaction activities		3,569,608
Other instructional activities		109,792
Pupil support activities	731,793	
Less equipment for pupil support activities	-	
Net pupil support activities		731,793
Instructional staff services	140,851	
Less equipment for instructional staff services	-	
Net instructional staff services		140,851
School administration	929,632	
Less: Equipment for school administration	-	
Net school administration		929,632
Total general fund instructional expenditures		\$ 5,481,676
Total general fund equipment expenditures		\$ -

Certain Local Revenue Sources:

Not applicable to the Organization.

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

Collegiate Academies
Schedule K-2: Educational Levels of Public School Staff
For the Year Ended June 30, 2014

Education Level of Public School Staff
As of October 1, 2013

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	-	-	-	-	-	-	-	-
Bachelor's Degree	26	81%	19	70%	1	100%	2	100%
Master's Degree	6	19%	8	30%	-	-	-	-
Master's Degree +30	-	-	-	-	-	-	-	-
Specialist in Education	-	-	-	-	-	-	-	-
Ph. D. or Ed. D.	-	-	-	-	-	-	-	-
Total	32	100%	27	100%	1	100%	2	100%

Collegiate Academies
Schedule K-3: Number and Type of Public Schools
For the Year Ended June 30, 2014

Number and Type of Public Schools
For the Year Ended June 30, 2014

Type	Number
Elementary	-
Middle/Jr. High	-
Secondary	3
Combination	-
Total	3

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

Collegiate Academies**Schedule K-4: Experience of Public Principals, Assistant Principals, and
Full-Time Classroom Teachers for the Year Ended June 30, 2014****Experience of Principals, Assistant Principals, and Full-Time Classroom Teachers
As of October 1, 2013**

	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	22	19	18	-	-	-	-	59
Principals	-	-	2	1	-	-	-	3
Total	22	19	20	1	-	-	-	62

Collegiate Academies
Schedule K-5: Public School Staff Data
For the Year Ended June 30, 2014

Public School Staff Data: Average Salaries
2013-2014 School Year

	All Classroom Teachers	Classroom Teachers Excluding ROTC And Rehired Retirees
Average Classroom Teacher's Salary Including Extra Compensation	\$51,306	\$51,306
Average Classroom Teacher's Salary Excluding Extra Compensation	\$49,382	\$49,382
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	56.2	56.2

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

Collegiate Academies
Schedule K-6: Class Size Characteristics
For the Year Ended June 30, 2014

Class Size Characteristics
As of October 1, 2013

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	-	-	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	49%	167	20%	70	24%	83	7%	23
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.

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS**

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

Board of Directors
Collegiate Academies
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Collegiate Academies (a nonprofit organization) (the "Organization"), which comprise the Statement of Financial Position as of June 30, 2014, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, LLC

November 25, 2014

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

Board of Directors
Collegiate Academies
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Collegiate Academies's (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Carr, Riggs & Ingram, LLC

November 25, 2014

Collegiate Academies
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed-through LA Dept of Education		
Title I Grants to Local Educational Agencies	84.010	\$ 637,178
IDEA - Part B - Special Education	84.027	313,063
Advanced Placement Test Fee Program	84.330	8,544
Title II Improving Teacher Quality State Grants	84.367	57,719
School Improvement Grants, Recovery Act	84.388	442,775
Title III	84.365	<u>4,307</u>
		<u>1,463,586</u>
Passed-through New Schools for New Orleans		
Teacher Incentive Fund	84.374	221,206
Investing in Innovation (i3) Fund	84.396	317,972
Striving Readers Literacy Grant	84.371	<u>113,577</u>
		<u>652,755</u>
 Total U.S. Department of Education		 <u>2,116,341</u>
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Education:		
School Breakfast Program		
Free and Reduced Price Meals	10.553	380,394
National School Lunch Program		
Free and Reduced Price Meals	10.555	169,112
After School Snacks	10.558	<u>13,170</u>
 Total U.S. Department of Agriculture		 <u>562,676</u>
 Total Federal Assistance		 <u>\$ 2,679,017</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Collegiate Academies
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Collegiate Academies and is presented on the accrual basis of accounting. 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, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Collegiate Academies
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Collegiate Academies (a nonprofit organization).
2. No instances of noncompliance material to the financial statements of Collegiate Academies were disclosed and identified during the audit.
3. There was one (1) instance of noncompliance with laws, rules, and regulations that was disclosed and identified during the audit but was not considered material to the financial statements.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133*.
5. The *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133* expresses an unqualified opinion on all major federal programs.
6. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. A management letter was issued for the year ended June 30, 2014.
8. The programs tested as a major program for the year ended June 30, 2014 were:

<u>Program Title</u>	<u>CFDA No.</u>
Special Education – Grants to States (IDEA, Part B)	84.027
School Breakfast Program	10.553
National School Lunch Program	10.555

9. The threshold for distinguishing between Type A and Type B programs was \$300,000.
10. Collegiate Academies qualified as a low-risk auditee.

Collegiate Academies
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

Finding 2014-001 Background Check Compliance

Condition:

The Organization's current internal control structure or operation does not allow management or staff to identify if background checks have been completed or reviewed for adequacy.

Criteria:

In accordance with Louisiana regulations R.S. 17:15 "Criminal History Review" and R.S. 15:1587.1 "The Louisiana Child Protection Act", the Organization is required to request and review criminal history reports from the State Bureau of Criminal Identification and Information. Any employees who do not meet the criteria to obtain a position of authority over children may not be employed by the Organization.

Effect:

Teachers or other employees with authority over children may not be eligible to maintain their position.

Cause:

The Organization has not implemented controls over the performance and review of background checks for new and existing employees.

Recommendation:

We recommend that management creates a checklist for all employees that is maintained which includes all pertinent documentation that must be completed upon hiring. This list should contain signatures of the employee who obtained the documentation and a second signature for the management person who reviewed the documentation. This list would encompass background check documentation and ensure that they are reviewed for adherence to state regulations.

Response and Corrective Action Plan:

Management has implemented a policy in which each school's DFO will collect all completed HR paperwork, including background checks and submit to the Director of Finance. The Director of Finance will use a checklist to document his review of the background checks to ensure that each employee's background check is clear and in compliance with state regulations before an employee is hired. The checklist will be signed off by the Director of Finance to document his review, and the checklist will be filed in each employee's personnel file upon completing the review.

**Collegiate Academies
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS COMPLIANCE

Not applicable

SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Not applicable

SECTION III – MANAGEMENT LETTER

Not applicable.

COLLEGIATE ACADEMIES
MEMORANDUM OF ADVISORY COMMENT
FOR THE YEAR ENDED JUNE 30, 2014



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INGRAM

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**Collegiate Academies
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June 30, 2014**

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November 25, 2014

To the Board of Directors
Collegiate Academies
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Collegiate Academies (the "Organization") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a deficiency in internal control other than a significant deficiency or a material weakness that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our observation and recommendation regarding this matter. This letter does not affect our report dated November 25, 2014, on the financial statements of the Organization.

We will review the status of our observation during our next audit engagement. We have already discussed this observation and recommendation with various Organization personnel, and we will be pleased to discuss in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing our recommendation.

Sincerely,

Carr, Riggs & Ingram, LLC

Collegiate Academies
Observation and Recommendation
June 30, 2014

1. Credit Card Authorization and Documentation

Observation:

Credit cards in nonprofit organizations should have controls in place to prevent inappropriate, unallowed, or even fraudulent transactions from taking place. During our audit, we noted that the Organization had three (3) credit card expense reports that were not approved by the individual assigned to review the reports in the Organization's credit card policy. There was one (1) instance where the supporting documentation for a credit card expense was not obtained. The missing approvals and supporting documentation could result in an instance of noncompliance or misstatement of financials that may be material.

Recommendation:

We recommend that the Organization follow the credit card policy established by the Board of Directors to ensure that internal controls are in place over credit card expenses.

Management's Response:

Management has confirmed that the three credit card reports that did not include appropriate signatures documenting the required review have since been reviewed and properly approved. Management was also able to obtain support for one missing receipt for a total of \$172.55 and documentation of the related business purpose from the applicable employee. Management has also initiated a process where the Director of Finance will perform periodic internal reviews to ensure supporting documentation for credit card charges are in compliance with the applicable fiscal policies and procedures, including timeliness of submission of supporting documentation, and proper approvals. Also, management is in the process of improving the organization's credit card policies and procedures in order to ensure adequate internal controls are in place.