

FIRSTLINE SCHOOLS, INC.

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF FUNCTIONAL EXPENSES.....	7
STATEMENT OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION:	
SCHEDULE I - Schedule of Expenditures of Federal Awards	19
SCHEDULE II - Combining Schedule of Financial Position.....	20
SCHEDULE III - Combining Schedule of Activities	21
SCHEDULE IV - Combining Schedule of Functional Expenses.....	22
SCHEDULE V - Combining Schedule of Cash Flows	24
SCHEDULE VI - Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer.....	25
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	34
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	37

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FirstLine Schools, Inc.
New Orleans, Louisiana

Opinion

We have audited the accompanying financial statements of **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **FirstLine** as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **FirstLine** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **FirstLine's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
FirstLine Schools, Inc.
New Orleans, Louisiana

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **FirstLine's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **FirstLine's** ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer 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 taken as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of **FirstLine'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 solely 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 **FirstLine's** internal control over financial reporting and compliance.

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2022

FIRSTLINE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Cash and cash equivalents (NOTES 1 and 4)	\$ 14,515,504
Grants receivable (NOTE 7)	9,959,319
Other receivables	222,217
Prepaid expenses	75,729
Property and equipment, net (NOTES 1 and 2)	<u>386,012</u>
 Total assets	 <u>\$ 25,158,781</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 2,100,297
Accrued liabilities	1,112,610
Deferred revenue	<u>671,808</u>
 Total liabilities	 <u>3,884,715</u>
 Net Assets:	
Without donor restrictions (NOTE 1)	<u>21,274,066</u>
 Total net assets	 <u>21,274,066</u>
 Total liabilities and net assets	 <u>\$ 25,158,781</u>

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions
<u>REVENUES</u>	
Local sources:	
Minimum Foundation Program	\$ 17,164,311
Contributions	5,426,693
Grants	396,631
Interest earnings	2,250
Fundraising activities	130
Other	2,450,578
Total local sources	25,440,593
State sources:	
Minimum Foundation Program	13,616,538
Grants	737,948
Total state sources	14,354,486
Federal grants	20,642,691
Total revenues	60,437,770
<u>EXPENSES</u>	
Instruction	29,645,099
Management and general	21,249,705
Fundraising	274,512
Total expenses	51,169,316
Changes in net assets	9,268,454
Net assets, beginning of year	12,005,612
Net assets, end of year	\$ 21,274,066

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

<u>EXPENSES (SCHEDULE IV)</u>	<u>Instructional</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 14,813,094	\$ 10,614,807	\$ 230,722	\$ 25,658,623
Employee benefits	2,724,993	2,327,116	38,163	5,090,272
Purchased professional and technical services	1,985,644	2,186,310	-	4,171,954
Purchased property services	120,379	2,308,655	-	2,429,034
Student transportation services	3,730,804	-	-	3,730,804
Insurance	-	901,477	-	901,477
Communications	-	361,427	-	361,427
Food service management	2,286,371	181,493	-	2,467,864
Other purchased services	701,112	350,459	-	1,051,571
Supplies	2,598,366	1,517,364	1,634	4,117,364
Depreciation	-	78,048	-	78,048
Miscellaneous	684,336	422,549	3,993	1,110,878
Total expenses	<u>\$ 29,645,099</u>	<u>\$ 21,249,705</u>	<u>\$ 274,512</u>	<u>\$ 51,169,316</u>

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 9,268,454
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	78,048
Other non-cash item	34,137
Changes in assets and liabilities:	
Decrease in prepaid expense	605,002
Increase in grants receivable	(4,239,002)
Decrease in other receivables	89,283
Decrease in accounts payable	(249,997)
Increase in accrued liabilities	135,825
Increase in deferred revenue	671,808
Net cash provided by in operating activities	<u>6,393,558</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(22,223)</u>
Net cash used in investing activities	<u>(22,223)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on note payable	<u>(5,002,013)</u>
Net cash used in financing activities	<u>(5,002,013)</u>

Increase in cash and cash equivalents 1,369,322

Cash and cash equivalents, beginning of year 13,146,182

Cash and cash equivalents, end of year \$ 14,515,504

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

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

FirstLine Schools, Inc. (FirstLine) is a nonprofit organization formed in 1998 to serve as the chartering group for Arthur Ashe Charter School (Ashe) formerly known as New Orleans Charter Middle School (NOCMS). **FirstLine** was also granted charters by the Louisiana Board of Elementary and Secondary Education (BESE) to operate Samuel J. Green Charter School (Green) beginning in the 2005-2006 school year, Phillis Wheatley Community School (Wheatley) beginning in the 2010-2011 school year, Langston Hughes Academy (Hughes) beginning in the 2012-2013 school year and FirstLine Live Oak Charter School (Live Oak) beginning in the 2018-2019 school year. The board of directors consists of individuals with experience in business and education that have an interest in public education.

The mission of **FirstLine** is to create and inspire great open admissions public schools in New Orleans. **FirstLine's** schools will prepare students for college and fulfilling careers by achieving the following primary objectives:

- Ensuring all of its students are on track to be academically prepared for success in a college preparatory high school and college as demonstrated by achievement, aspiration, love of learning, and confidence;
- Providing a rich variety of experiences for its students to nurture character, health, and active citizenship; and
- Developing the skillfulness of its staff and building sustainable organizations that facilitate its long-term success.

Due to declining enrollment at FirstLine Live Oak Charter School, **FirstLine** decided in December 2021 to voluntarily surrender the charter of FirstLine Live Oak Charter School effective at June 30, 2022.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

General, Continued

In the 2021-2022 school year, Green, Ashe, Wheatley, Live Oak and Hughes served the following number of students:

Green	464
Ashe	774
Wheatley	775
Live Oak	307
Hughes	<u>726</u>
Total	<u>3,046</u>

Basis of Accounting

FirstLine's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates

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

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Property and Equipment

Property and equipment of **FirstLine** with a cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenses are made by **FirstLine**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Grants Receivable

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.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Income Taxes

FirstLine is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **FirstLine** files as a tax-exempt organization.

Should that status be challenged in the future, **FirstLine's** 2021, 2020 and 2019 tax years are open for examination by the IRS.

Financial Statement Presentation

FirstLine has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the previous standard for external financial reporting by not-for-profit organizations.

Under ASU 2016-14, **FirstLine** classifies resources for financial accounting and reporting purposes into two net (2) asset categories: without donor restrictions and with donor restrictions. A description of the two (2) net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. Grants and contributions without donor restrictions, other income and expenses incurred in conducting the mission of **FirstLine** are included in this category.

Net assets with donor restrictions include grants and contributions for which donor-imposed time and/or purpose restrictions have not been met.

At June 30, 2022, **FirstLine** had no net assets with donor restrictions.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation, Continued

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2022.

Contributions

Contributions are recorded as unrestricted, or restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is recognized as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Minimum Foundation Program (MFP)

As Type 5 charter schools, Ashe, Green, Wheatley, Live Oak and Hughes received funding from BESE passed through NOLA Public Schools in an amount for pupils based on estimated daily attendance of pupils at the schools. The amount of funding received is adjusted during the school year based on the October 1st and February 1st student counts and the results of any audits performed. NOLA Public Schools receives from **FirstLine** an administrative fee of about 2% of MFP funds.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been reported on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support (management and general) services benefitted.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Vacation Leave

Vacation for full-time employees is accrued on a monthly basis. Employees receive two (2) weeks annual vacation for the first five (5) years of employment. After five (5) years, employees receive three (3) weeks of vacation. After eleven (11) years, employees receive four (4) weeks of vacation. Vacation days do not accrue.

Paid Leave

Employees earn ten (10) days paid leave per year to be used in the event of their own illness, a family illness, bereavement, or personal business. Such paid leave may be used for the purpose of visiting doctors, dentist or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Paid leave cannot be carried from one year to the next, and **FirstLine** will not pay the employee for unused leave upon termination.

NOTE 2 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2022:

Land	\$ 181,485
Building improvements	2,278,315
Equipment	<u>2,047,523</u>
Total property and equipment	4,507,323
Less: accumulated depreciation	<u>(4,121,311)</u>
Net property and equipment	<u>\$ 386,012</u>

For the year ended June 30, 2022, depreciation expense was \$78,048.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - RISK MANAGEMENT:

FirstLine is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **FirstLine** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

FirstLine maintains noninterest-bearing and interest-bearing accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2022 were \$13,853,914.

NOTE 5 - CONTINGENCY:

FirstLine is a recipient of grants from local, state and federal funding agencies. The grants are governed by various local, state and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **FirstLine** and are subject to audit and/or review by grantors. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of local, state and federal agencies may be subject to recapture.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - LEASE AND USE AGREEMENTS:

FirstLine entered into facility lease agreements with the NOLA Public Schools to lease school property owned by NOLA Public Schools for purposes of **FirstLine** operating Green, Ashe, Wheatley, Live Oak and Hughes charter schools. For each charter school, the facility lease term effective for the 2022 fiscal year was for the period of July 1, 2021 to June 30, 2022. NOLA Public Schools extended the terms of the Charter Schools' facility leases as follows:

Ashe	July 1 2022 to June 30, 2026
Green	July 1 2022 to June 30, 2024
Wheatley	July 1 2022 to June 30, 2024
Hughes	July 1 2022 to June 30, 2023

FirstLine Live Oak Charter School was closed June 30, 2022.

In consideration of the use of NOLA Public Schools' school properties, **FirstLine** agreed to pay NOLA Public Schools use fees for each charter school based on a formula to compute NOLA Public Schools' per pupil unit cost, as defined in the respective facility lease agreements.

FirstLine is responsible for the maintenance costs of the leased property and for property repairs. In addition, any facility alterations to the lease property must be approved by NOLA Public Schools.

The use of the properties as described above is not recorded as an in-kind contribution from, or related rent expense to, NOLA Public Schools as the value of the land and building is not readily available.

NOTE 7 - GRANTS RECEIVABLE:

At June 30, 2022, grants receivable consisted of the following sources:

Federal	\$ 9,383,080
State	16,450
Local	<u>559,789</u>
Total	<u>\$9,959,319</u>

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - AVAILABILITY AND LIQUIDITY:

At June 30, 2022, **FirstLine** has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

Cash and cash equivalents	\$14,515,504
Grants receivable	9,959,319
Other receivables	<u>222,217</u>
Total	<u>\$24,697,040</u>

None of the financial assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. **FirstLine's** objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenses. **FirstLine** regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources of **FirstLine**. In addition, **FirstLine** operates with a budget and monitors sources and uses of funds throughout the year by comparing budget to actual operating expenses.

NOTE 9 - BOARD COMPENSATION:

The Board of Directors of **FirstLine** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2022.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - CONCENTRATION OF REVENUE SOURCE:

FirstLine's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **FirstLine** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1st, each year. MFP revenue accounts for 51% of **FirstLine's** total support for the year ended June 30, 2022.

NOTE 11 - NEW PRONOUNCEMENTS:

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

NOTE 12 - SUBSEQUENT EVENTS:

FirstLine is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **FirstLine** performed such an evaluation through December 16, 2022, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE I

Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal CFDA</u>	<u>Pass-Through</u>	<u>Federal</u>
<u>United States Department of Education</u>	<u>Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Passed through Louisiana Department of Education			
Title I Grants to Local Education Agencies	84.010A	S010A180018	\$ 2,489,804
Direct Student Services	84.010A	S010A200018	55,815
School Redesign 1003a	84.010A	S010A200018	347,162
Title II, Part A, Teacher and Principal Training and Recruiting Fund	84.367A	S367A180017	286,807
Title III	84.365A	S365A210018	35,817
Title III State Set Aside	84.365	S365A210018	2,500
Title III, Immigrant	84.365A	S365A210018	18,654
Title IVA SSAE	84.424A	S42A180019	169,078
21st Century	84.287C	S287C210018	649,237
Special Education-Grants to States IDEA Part B	84.027A	H027A180033	821,467
Special Education-Grants to States IDEA Preschool	84.173A	H173A210082	8,484
IDEA Set Aside	84.027A	H027A200033	45,009
High Cost Services- IDEA	84.027A	H027A21003320	87,363
Comprehensive State Literacy Development	84.371C		580,294
ESSER I Formula	84.425D	S425D200003	279,379
ESSER I Incentive	84.425D	S425D200003	36,450
ESSER II Formula	84.425D	S425D210003	6,251,782
ESSER III Formula	84.425U	S425U210003	2,310,068
ESSER III EB Interventions	84.425U	S425U210003	1,686,298
ESSER III Incentive	84.425U	S425U210003	<u>143,394</u>
Total from LA State Department of Education			<u>16,304,862</u>
<u>Awards from a Pass-Through Entity</u>			
Passed-Through New Schools for New Orleans			
Teacher Incentive Fund	84.374		399,630
Teacher and School Leader Incentive Program	84.374		<u>194,265</u>
Total from New Schools for New Orleans			<u>593,895</u>
 Total from U.S. Department of Education			 <u>16,898,757</u>
<u>U.S. Department of Agriculture</u>			
Passed-Through: LA State Department of Education			
National School Breakfast and Lunch Program	10.553, 10.555		3,047,265
Child and Adult Care Food Program	10.558		<u>332,734</u>
Total from U.S. Department of Agriculture			<u>3,379,999</u>
 Total			 <u>\$ 20,278,756</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **FirstLine** under programs of the federal government for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

NOTE 2: **FirstLine** did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2022.

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
 COMBINING SCHEDULE OF FINANCIAL POSITION
 JUNE 30, 2022

SCHEDULE II

	FirstLine Network Activity	Live Oak Charter School	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Langston Hughes Academy Charter School	Eliminations	Total
<u>ASSETS</u>								
Cash and cash equivalents	\$ 9,298,560	\$ (938,668)	\$ 2,192,551	\$ 11,719	\$ 2,148,341	\$ 1,803,001	\$ -	\$ 14,515,504
Grants receivable	1,001,647	2,353,507	2,109,213	1,203,541	1,783,956	1,507,455	-	9,959,319
Other receivables	192,978	-	6,933	3,860	6,933	11,513	-	222,217
Due from other programs	-	-	1,681,025	-	801,568	587,565	-	3,070,158
Prepaid expenses	28,529	47,200	-	-	-	-	-	75,729
Property and equipment, net	181,485	-	53,925	26,218	123,804	580	-	386,012
Total assets	\$ 10,703,199	\$ 1,462,039	\$ 6,043,647	\$ 1,245,338	\$ 4,864,602	\$ 3,910,114	\$ -	\$ 28,228,939
<u>LIABILITIES AND NET ASSETS</u>								
Liabilities:								
Accounts payable	\$ 41,610	\$ 687,046	\$ 475,189	\$ 187,304	\$ 392,940	\$ 316,208	\$ -	\$ 2,100,297
Accrued liabilities	156,695	96,703	221,234	183,542	207,041	247,395	-	1,112,610
Deferred revenue	-	44,088	-	72,921	-	554,799	-	671,808
Note payable	-	-	-	-	-	-	-	-
Due to other programs	1,672,765	624,332	-	773,061	-	-	-	3,070,158
Total liabilities	1,871,070	1,452,169	696,423	1,216,828	599,981	1,118,402	-	6,954,873
Net Assets:								
Without donor restrictions	8,832,129	9,870	5,347,224	28,510	4,264,621	2,791,712	-	21,274,066
Total net assets	8,832,129	9,870	5,347,224	28,510	4,264,621	2,791,712	-	21,274,066
Total liabilities and net assets	\$ 10,703,199	\$ 1,462,039	\$ 6,043,647	\$ 1,245,338	\$ 4,864,602	\$ 3,910,114	-	\$ 28,228,939

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE III

	FirstLine Network Activity	Live Oak Charter School	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Langston Hughes Academy Charter School	Eliminations	Total
<u>REVENUES</u>								
Local sources:								
Minimum Foundation Program	\$ -	\$ 1,802,701	\$ 4,537,680	\$ 2,577,667	\$ 4,270,522	\$ 3,975,741	\$ -	\$ 17,164,311
Management fee	8,566,708	-	-	-	-	-	(8,566,708)	-
Contributions	1,244,698	660,578	945,455	701,145	937,441	937,376	-	5,426,693
Grants	90,000	-	198,090	-	2,610	105,931	-	396,631
Interest earnings	2,250	-	-	-	-	-	-	2,250
Fundraising activities	130	-	-	-	-	-	-	130
Other	1,142,511	387,676	327,543	110,419	231,934	250,495	-	2,450,578
Total local sources	<u>11,046,297</u>	<u>2,850,955</u>	<u>6,008,768</u>	<u>3,389,231</u>	<u>5,442,507</u>	<u>5,269,543</u>	<u>(8,566,708)</u>	<u>25,440,593</u>
State sources:								
Minimum Foundation Program	-	1,443,866	3,502,754	2,143,102	3,471,089	3,055,727	-	13,616,538
Grants	-	188,377	91,317	120,580	188,704	148,970	-	737,948
Total state sources	<u>-</u>	<u>1,632,243</u>	<u>3,594,071</u>	<u>2,263,682</u>	<u>3,659,793</u>	<u>3,204,697</u>	<u>-</u>	<u>14,354,486</u>
Federal grants	882,379	2,943,201	4,532,139	3,143,445	4,622,286	4,519,241	-	20,642,691
Total revenues	<u>11,928,676</u>	<u>7,426,399</u>	<u>14,134,978</u>	<u>8,796,358</u>	<u>13,724,586</u>	<u>12,993,481</u>	<u>(8,566,708)</u>	<u>60,437,770</u>
<u>EXPENSES</u>								
Instruction	543,363	3,489,015	7,124,847	4,837,168	6,931,308	6,719,398	-	29,645,099
Management and general	5,644,531	3,805,540	5,267,759	3,932,011	5,348,258	5,818,314	(8,566,708)	21,249,705
Fundraising	274,512	-	-	-	-	-	-	274,512
Total expenses	<u>6,462,406</u>	<u>7,294,555</u>	<u>12,392,606</u>	<u>8,769,179</u>	<u>12,279,566</u>	<u>12,537,712</u>	<u>(8,566,708)</u>	<u>51,169,316</u>
Changes in net assets	<u>5,466,270</u>	<u>131,844</u>	<u>1,742,372</u>	<u>27,179</u>	<u>1,445,020</u>	<u>455,769</u>	<u>-</u>	<u>9,268,454</u>
Net assets, beginning of year	<u>3,365,859</u>	<u>(121,974)</u>	<u>3,604,852</u>	<u>1,331</u>	<u>2,819,601</u>	<u>2,335,943</u>	<u>-</u>	<u>12,005,612</u>
Net assets, end of year	<u>\$ 8,832,129</u>	<u>\$ 9,870</u>	<u>\$ 5,347,224</u>	<u>\$ 28,510</u>	<u>\$ 4,264,621</u>	<u>\$ 2,791,712</u>	<u>\$ -</u>	<u>\$ 21,274,066</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
 COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE IV
 Page 1 of 2

EXPENSES	FirstLine Network Activity			Live Oak Charter School		Arthur Ashe Charter School		Samuel J. Green Charter School	
	Instruction	Management and General	Fundraising	Instruction	Management and General	Instruction	Management and General	Instruction	Management and General
	Salaries and wages	\$ 394,254	\$ 2,728,289	\$ 230,722	\$ 2,101,496	\$ 1,094,576	\$ 3,417,055	\$ 1,650,185	\$ 2,501,348
Employee benefits	87,764	675,191	38,163	236,991	152,109	593,983	396,292	510,414	298,766
Purchased professional and technical services	26,186	772,418		45,133	1,634,261	436,793	2,260,088	311,017	1,450,437
Purchased property services	6,998	122,182	-	20,302	451,466	18,842	530,788	16,735	337,397
Student transportation services	592	-	-	404,664	-	1,016,653	-	575,957	-
Insurance	-	32,859	-	-	115,110	-	216,048	-	143,494
Communications	-	61,710	-	-	46,319	-	75,165	-	56,005
Food service management	-	181,493	-	271,680	-	603,300	-	323,489	-
Other purchased services	6,666	197,039	-	89,558	27,141	152,801	18,039	123,924	39,357
Supplies	18,903	260,434	1,634	317,438	205,967	625,237	216,078	470,186	192,432
Depreciation	-	-	-	-	-	-	57,882	-	3,570
Miscellaneous	2,000	612,916	3,993	1,753	78,591	260,183	(152,806)	4,098	66,723
Total expenses	\$ 543,363	\$ 5,644,531	\$ 274,512	\$ 3,489,015	\$ 3,805,540	\$ 7,124,847	\$ 5,267,759	\$ 4,837,168	\$ 3,932,011

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
 COMBINING SCHEDULE OF FUNCTIONAL EXPENSES, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE IV
Page 2 of 2

	Phillis Wheatley Charter School		Langston Hughes Academy Charter School		Eliminations	Grand Total		
	Instruction	Management and General	Instruction	Management and General		Instruction	Management and General	Fundraising
<u>EXPENSES</u>								
Salaries and wages	\$ 2,971,963	\$ 1,906,865	\$ 3,426,978	\$ 1,891,062	\$ -	\$ 14,813,094	\$ 10,614,807	\$ 230,722
Employee benefits	669,798	380,910	626,043	423,848	-	2,724,993	2,327,116	38,163
Purchased professional and technical services	754,776	2,129,812	411,739	2,506,002	(8,566,708)	1,985,644	2,186,310	-
Purchased property services	30,022	578,189	27,480	288,633	-	120,379	2,308,655	-
Student transportation services	743,555	-	989,383	-	-	3,730,804	-	-
Insurance	-	205,554	-	188,412	-	-	901,477	-
Communications	-	60,392	-	61,836	-	-	361,427	-
Food service management	632,534	-	455,368	-	-	2,286,371	181,493	-
Other purchased services	155,335	29,079	172,828	39,804	-	701,112	350,459	-
Supplies	560,857	321,740	605,745	320,713	-	2,598,366	1,517,364	1,634
Depreciation	-	9,633	-	6,963	-	-	78,048	-
Miscellaneous	412,468	(273,916)	3,834	91,041	-	684,336	422,549	3,993
Total expenses	<u>\$ 6,931,308</u>	<u>\$ 5,348,258</u>	<u>\$ 6,719,398</u>	<u>\$ 5,818,314</u>	<u>\$ (8,566,708)</u>	<u>\$ 29,645,099</u>	<u>\$ 21,249,705</u>	<u>\$ 274,512</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE V

	FirstLine Network Activity	Samuel J. Green Charter School	Arthur Ashe Charter School	Phillis Wheatley Charter School	Live Oak Charter School	Langston Hughes Academy Charter School	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Changes in net assets	\$ 5,466,270	\$ 27,179	\$ 1,742,372	\$ 1,445,020	\$ 131,844	\$ 455,769	\$ 9,268,454
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:							
Depreciation expense	-	3,570	57,882	9,633	-	6,963	78,048
Other non-cash item	-	-	-	-	34,137	-	34,137
Changes in assets and liabilities:							
Decrease in prepaid expense	605,002	-	-	-	-	-	605,002
(Increase) decrease in grants receivable	(263,675)	(467,936)	(1,005,590)	(533,802)	(1,618,762)	(349,237)	(4,239,002)
(Increase) decrease in other receivables	82,134	(3,265)	22,947	(5,073)	-	(7,460)	89,283
Decrease in due from other programs	-	-	1,186,406	1,379,283	-	1,164,117	3,729,806
Increase (decrease) in accounts payable	(307,911)	(87,237)	50,886	(169,704)	391,359	(127,390)	(249,997)
Increase (decrease) in accrued liabilities	124,519	22,686	11,665	5,503	(32,121)	3,573	135,825
Increase in deferred revenue	-	72,921	-	-	44,088	554,799	671,808
Increase (decrease) in due to other programs	(4,544,083)	561,337	-	-	252,940	-	(3,729,806)
Net cash provided by (used in) operating activities	<u>1,162,256</u>	<u>129,255</u>	<u>2,066,568</u>	<u>2,130,860</u>	<u>(796,515)</u>	<u>1,701,134</u>	<u>6,393,558</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment	-	(18,724)	-	(3,499)	-	-	(22,223)
Net cash used in investing activities	<u>-</u>	<u>(18,724)</u>	<u>-</u>	<u>(3,499)</u>	<u>-</u>	<u>-</u>	<u>(22,223)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Payment on note payable	(5,002,013)	-	-	-	-	-	(5,002,013)
Net cash used in financing activities	<u>(5,002,013)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,002,013)</u>
Increase (decrease) in cash and cash equivalents	(3,839,757)	110,531	2,066,568	2,127,361	(796,515)	1,701,134	1,369,322
Cash and cash equivalents, beginning of year	13,138,317	(98,812)	125,983	20,980	(142,153)	101,867	13,146,182
Cash and cash equivalents, end of year	<u>\$ 9,298,560</u>	<u>\$ 11,719</u>	<u>\$ 2,192,551</u>	<u>\$ 2,148,341</u>	<u>\$ (938,668)</u>	<u>\$ 1,803,001</u>	<u>\$ 14,515,504</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE VI

Chief Executive Officer Name: Sabrina Pence

<u>Purpose</u>	<u>Amount</u>
Salary	\$186,000
Benefits – insurance	\$6,709
Benefits – retirement	\$21,336
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	\$626
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
License fees	-0-
Unvouchered expenses	-0-
Special meals	-0-

See Independent Auditors' Report on Supplementary Information.

INDEPENDENT AUDITORS' 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 Directors of
FirstLine Schools, Inc.
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 **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **FirstLine'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 **FirstLine's** internal control. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control.

INDEPENDENT AUDITORS= 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
(CONTINUED)

Internal Control Over Financial Reporting, Continued

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.

INDEPENDENT AUDITORS= 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
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **FirstLine'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 **FirstLine's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **FirstLine's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
FirstLine Schools, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **FirstLine Schools, Inc.'s (FirstLine)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **FirstLine's** major federal programs for the year ended June 30, 2022. **FirstLine's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **FirstLine** 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, 2022.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **FirstLine** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **FirstLine's** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **FirstLine's** federal programs.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

Auditors, Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **FirstLine's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **FirstLine's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **FirstLine's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **FirstLine's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **FirstLine's** internal control over compliance. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2022

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS= RESULTS

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **No.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **No.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **No.**
- G. Type of report issued on compliance for major programs: **Unmodified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **No.**
- I. Was a management letter issued? **No.**

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS= RESULTS, CONTINUED

J. Major programs:

United States Department of Education

Elementary and Secondary Emergency Relief (CFDA No. 84.425D)

K. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**.

L. Auditee qualified as a low-risk auditee: **No**.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Section II - FINANCIAL STATEMENT FINDINGS

No matters reported.

**Section III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

No matters reported.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

No matters reported.

SECTION II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

No matters reported.

SECTION III - MANAGEMENT LETTER

No matters reported.

FIRSTLINE SCHOOLS, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING BESE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
AGREED-UPON PROCEDURES REPORT	1
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514-PERFORMANCE AND STATISTICAL DATA):	5
Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	6
Schedule 2 - Class Size Characteristics (Formerly Schedule 6).....	7

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
FirstLine Schools, Inc.,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by management of **FirstLine Schools, Inc. (FirstLine)**, the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of **FirstLine** for the fiscal year ended June 30, 2022, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514 I. Management of **FirstLine** is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 3 and 4 either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of **FirstLine**, as required by Louisiana Revised Statute 24:514 I, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bruno & Tervalon, LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2022

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

PROCEDURES AND FINDINGS

Our procedures and associated findings are as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a sample of 25 transactions, reviewed supporting documentation and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among 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.

No differences noted.

Class Size Characteristics (SCHEDULE 2, formerly SCHEDULE 6)

2. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1, 2021 roll books for those classes and observed that the class was properly classified on the schedule.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Education Levels/Experience of Public School Staff (No Schedule)

3. We obtained the October 1st PEP data submitted to the Department of Education, including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data.

No differences noted.

Public School Staff Data: Average Salaries (No Schedule)

4. We obtained the June 30th PEP data submitted to the Department of Education of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data.

No differences noted.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

**SCHEDULE 1 - General Fund Instructional and Support Expenditures and
Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Class Size Characteristics (formerly SCHEDULE 6)

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+ students.

FIRSTLINE SCHOOLS, INC.
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2022

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 6,487,861	
Other Instructional Staff Activities	1,287,371	
Employee Benefits	2,594,523	
Purchased Professional and Technical Services	1,038,728	
Instructional Materials and Supplies	2,498,128	
Instructional Equipment	168	
Total Teacher and Student Interaction Activities	<u>13,906,779</u>	

Other Instructional Activities 529,580

Pupil Support Activities	2,626,163	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		2,626,163

Instructional Staff Services	1,637,399	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		1,637,399

School Administration	3,979,910	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>3,979,910</u>

Total General Fund Instructional Expenditures \$ 22,679,831

Total General Fund Equipment Expenditures \$ -

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 \$ -

Nonpublic Transportation Revenue \$ -

See accompanying independent accountants' report on applying agreed-upon procedures.

FIRSTLINE SCHOOLS, INC.
Class Size Characteristics
As of October 1, 2021

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	22.3%	151	26.2%	177	32.8%	222	18.6%	126
Elementary Activity Classes	17.1%	24	28.6%	40	48.6%	68	5.7%	8
Middle/Jr. High	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Middle/Jr. High Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0
High	0.0%	0	0.0%	0	0.0%	0	0.0%	0
High Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Combination	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Combination Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0

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.

FIRSTLINE SCHOOLS, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2022

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

To the Board of Directors of **FirstLine Schools Inc.**
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by **FirstLine Schools Inc. (FirstLine)** and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. **FirstLine's** management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
No exceptions were noted.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
No exceptions were noted.
 - c) ***Disbursements***, including processing, reviewing, and approving.
No exceptions were noted.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
No exceptions were noted.
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
No exceptions were noted.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

No exceptions were noted.

- h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions were noted.

- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exceptions were noted.

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions were noted.

- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions were noted.

- l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions were noted.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions were noted.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions were noted.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were noted.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.

No exceptions were noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

No exceptions were noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions were noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions were noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions were noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were noted.

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions were noted.

b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were noted.

c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions were noted.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions were noted.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions were noted.

b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions were noted.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions were noted.

b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions were noted.

13. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were noted.

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions were noted.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions were noted.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No exceptions were noted.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

No exceptions were noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were noted.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions were noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions were noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions were noted.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions were noted.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions were noted.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #15 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions were noted.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

N/A

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

N/A

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions noted.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were noted.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

No exceptions were noted.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

No exceptions were noted.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #15 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

No exceptions were noted.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
1. Number and percentage of public servants in the agency who have completed the training requirements;
 2. Number of sexual harassment complaints received by the agency;
 3. Number of complaints which resulted in a finding that sexual harassment occurred;
 4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 5. Amount of time it took to resolve each complaint.

No exceptions were noted for procedures 28 a) to e).

We were engaged by **FirstLine Schools, Inc.** to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

We are required to be independent of **FirstLine** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bruno & Tervalon, LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2022