

**THE FRIENDS OF KING SCHOOL**  
**AUDIT OF FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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As of and For the Year Ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

December 20, 2019

To the Board of Directors  
The Friends of King School  
New Orleans, Louisiana

We have audited the accompanying financial statements of The Friends of King School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Friends of King School as of June 30, 2019, 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.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities; this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of The Friends of King School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Friends of King School's internal control over financial reporting and compliance.

***Hienz & Macaluso, LLC***  
Metairie, LA

**THE FRIENDS OF KING SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 6,643,572
Restricted cash	204,723
Grants receivable	1,410,401
Other assets	<u>26,395</u>
<b>Total current assets</b>	<u><u>8,285,091</u></u>

**Property and Equipment:**

Equipment	134,661
Vehicles	22,841
Accumulated depreciation	<u>(114,071)</u>
<b>Total property and equipment, net</b>	<u><u>43,431</u></u>

<b>Total assets</b>	<u><u>\$ 8,328,522</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	\$ 289,185
Salaries and benefits payable	118,768
Funds held on behalf of others	<u>204,723</u>
<b>Total current liabilities</b>	<u><u>612,676</u></u>

<b>Total liabilities</b>	<u><u>612,676</u></u>
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**Net assets:**

Net assets without donor restrictions	7,092,836
Net assets with donor restrictions	<u>623,010</u>
<b>Total net assets</b>	<u><u>7,715,846</u></u>

<b>Total liabilities and net assets</b>	<u><u>\$ 8,328,522</u></u>
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The accompanying notes are an integral part of these financial statements.

**THE FRIENDS OF KING SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
State public school funding	\$ 5,119,969	\$ -	\$ 5,119,969
Local public school funding	7,226,891	-	7,226,891
Federal sources	887,412	1,636,774	2,524,186
Other state funding	479,957	-	479,957
Contributions and donations	6,214	-	6,214
Other income	154,373	-	154,373
Net assets released from restrictions	1,550,837	(1,550,837)	-
	15,425,653	85,937	15,511,590
<b>Expenses:</b>			
Program expenses	11,978,314	-	11,978,314
Management and general expenses	3,593,938	-	3,593,938
	15,572,252	-	15,572,252
<b>Change in net assets</b>	(146,599)	85,937	(60,662)
<b>Net assets, beginning of year</b>	7,239,435	537,073	7,776,508
<b>Net assets, end of year</b>	\$ 7,092,836	\$ 623,010	\$ 7,715,846

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

**THE FRIENDS OF KING SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>	<b>Total Expenses</b>
	<b>Instructional</b>	<b>Management and General</b>	
<b>Expenses:</b>			
Salaries	\$ 7,910,088	\$ 1,257,912	\$ 9,168,000
Employee benefits	708,493	163,309	871,802
Payroll taxes	563,599	168,194	731,793
Materials and supplies	483,664	162,178	645,842
Transportation	805,213	-	805,213
Professional services	384,293	321,597	705,890
Retirement	315,803	103,908	419,711
Food purchases	344,780	-	344,780
Utilities	268,957	80,697	349,654
Insurance	39,081	642,167	681,248
Administrative fee	-	223,790	223,790
Miscellaneous	79,541	409,419	488,960
Travel	46,577	19,575	66,152
Telephone and postage	23,959	5,812	29,771
Dues and fees	4,266	8,590	12,856
Depreciation	-	26,790	26,790
	<u>\$ 11,978,314</u>	<u>\$ 3,593,938</u>	<u>\$ 15,572,252</u>

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

**THE FRIENDS OF KING SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ (60,662)
Adjustments to reconcile change in net assets	
net cash used by operating activities:	
Depreciation	26,790
Increase in grants receivable	(210,794)
Decrease in other assets	17,083
Decrease in accounts payable	(237,643)
Decrease in salaries and benefits payable	(72,505)
<b>Net cash used by operating activities</b>	<u>(537,731)</u>
 <b>Cash Flows from Investing Activities</b>	
Purchase of capital assets	<u>(25,845)</u>
<b>Net cash used in investing activities</b>	<u>(25,845)</u>
 <b>Net decrease in cash and cash equivalents</b>	 <u>(563,576)</u>
 <b>Cash and cash equivalents, beginning of year</b>	 <u>7,207,148</u>
 <b>Cash and cash equivalents, end of year</b>	 <u>\$ 6,643,572</u>

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

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – Summary of Significant Accounting Policies**

The Friends of King School (“the School”) was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2005 to operate a Type V public charter school d/b/a Dr. Martin Luther King, Jr. Charter School for Science and Technology (the “MLK School”). In 2012, the School was granted by BESE a charter to operate an additional Type V public charter school d/b/a Joseph A. Craig Elementary School (the “Craig School”). The School seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measures pupil progress toward stated goals; and participates in pupil assessment required by law, regulation and BESE policy. The School serves eligible students in pre-kindergarten through twelfth grade in New Orleans, Louisiana.

The mission of the School is to create and maintain an orderly, trusting environment where teaching and learning are innovative and exciting; where students are taught to read, write, compute, and think critically according to their fullest potential.

On July 1, 2011, the MLK School’s operating agreement renewal with the BESE went into effect. This allows the School to use the facilities and contents located at 1617 Caffin Avenue, New Orleans, Louisiana 70117, or any other locations that may be approved by the School and BESE. This agreement expired on June 30, 2015. On January 14, 2015, BESE approved the transfer of MLK School to the jurisdiction of the Orleans Parish School Board (OPSB) effective July 1, 2015 as a Type 3b charter. This agreement will expire on June 20, 2022. The School pays the OPSB on behalf of MLK School, an administrative fee amounting to 2% of all Minimum Foundation Program (MFP) revenue received

On July 1, 2012, the School entered into an operating agreement with BESE which allow the School to use the facilities and contents located at 1423 St. Philip Street, New Orleans, Louisiana 70116, or any other locations that may be approved by the School and BESE. Effective July 1, 2018, Joseph A. Craig School became a type 3b charter under the jurisdiction of the OPSB. This agreement expires on June 30, 2020 and may be renewed at the option of the OPSB. The School pays the OPSB on behalf of the Craig School, an administrative fee amounting to 2% of all MFP revenue received.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation**

The School is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019 net assets with donor restrictions totaled \$623,010.

**Use of Estimates**

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

**Revenues**

The School's primary sources of funding are through federal and state grants. The grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

**Property and Equipment**

Property and equipment acquisitions greater than \$5,000 are recorded at historical cost or estimated historical cost if historical cost is not available. Depreciation is calculated using the straight line method with useful lives of 5 to 7 years. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

All assets acquired in whole or part with Orleans Parish School Board funds, are owned by the School while used in the purpose for which they were acquired. The Orleans Parish School Board however, has a reversionary interest in these assets. Should the charter not be renewed, revoked, surrendered, or terminated, any assets purchased with those funds will revert back to the Orleans Parish School Board.

For the year ended June 30, 2018, depreciation expense was \$26,790.

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

All ten month employees accrue ten days of sick leave each year. All twelve month employees accrue ten days of sick leave and ten days of vacation pay. Any unused vacation days are paid in the subsequent year. Upon termination, the School compensates employees for unused sick days not to exceed the days stipulated by the School's policies which range from 15 to 30 days depending on position.

**New Accounting Pronouncement**

Effective July 1, 2018, the School adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The School's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

**NOTE 2 – Cash and cash equivalents**

At June 30, 2019, cash consists of demand deposits in a local financial institution of \$6,643,572.

The School maintains cash accounts at a local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2019 cash deposits in excess of FDIC insured limits were approximately \$7 million. The School has

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 – Cash and cash equivalents (Continued)**

not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**NOTE 3 – Grant and Other Receivables**

At June 30, 2019, grants receivable totaled \$1,410,401 which consisted of federal, state and private grants. These receivables are considered fully collectible; therefore, management does not consider an allowance for doubtful accounts to be necessary.

**NOTE 4 – Concentrations**

The School received approximately 99% of its total revenues from Federal and State grantors.

All of the students of the School reside in the Greater New Orleans area.

**NOTE 5 - Contingencies**

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

The School has offer letters as is standard in the field of education with most of the teachers which expired in May, 2019. Additionally, all offer letters provide for a minimum annual salary and other benefits.

**NOTE 6 – Retirement Plan**

Effective September 1, 2012, the School began sponsoring a defined contribution plan (the 403(b) Plan) covering all employees who make contributions to the Plan. The School may elect to make discretionary contributions to the Plan each year. Total expense for the year ended June 30, 2019 was \$419,711.

**NOTE 7 – Board Members' Compensation**

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

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 – Functional Expenses**

As required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities, the School has presented a statement of functional expenses as part of its financial statements. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and employee benefits have been allocated based on time and effort. Materials and supplies, professional services, insurance, miscellaneous, travel and telephone and postage expenses have been allocated based on actual expenses.

**NOTE 9 – Net Assets with Donor Restrictions**

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

Net assets with donor restrictions as of June 30, 2019 are available for the following purposes:

Instructional and other	<u>\$623,010</u>
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Net assets were released from restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2019:

Instructional and other	<u>\$1,550,837</u>
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**NOTE 10 – Grant Revenues**

For the year ended June 30, 2019, federal grant revenues consisted of the following:

National School Lunch Program	\$ 678,509
School Breakfast Program	207,559
Title I Grants to Local Educational Agencies	925,482
Temporary Assistance for Needy Families (TANF)	290,261
Special Education Grants	252,874
Title IV	34,941
Improving Teacher Quality State Grants	113,132
Career and Technical Education - Basic Grants to States	<u>21,428</u>
	<u>\$ 2,524,186</u>

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 – Leases**

The School operates under lease agreements with the OPSB for both of its campuses. The leases are classified as operating leases and were effective July 1, 2018 and extend through June 30, 2021. In consideration of the use of the premises, the School pays OPSB an annual use fee consisting of the per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled facilities participating in the program. The total use fee for the year ended June 30, 2019 was \$180,295.

**NOTE 12 – Uncertain Income Taxes**

On July 1, 2009, the School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

The School's tax returns through 2017 have been filed appropriately. As of the date of this report, the School has been approved for an extension to file their 2018 tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2015 through 2017. Management has evaluated the School's tax Positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE 13 – Funds Held on Behalf of Others**

The School acts as a custodian for student activity bank accounts. Funds held on behalf of these groups amounted to \$204,723 as of June 30, 2019, and are reported as both an asset (restricted cash) and a liability (funds held on behalf of others). Consequently, there is no effect on the School's net assets.

**NOTE 14 – In-Kind Support**

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2019 there were no non-cash contributions.

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

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 15 – Risk Management**

The School is exposed to various risks of loss from torts, theft and damage to assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims or unsettled claims that exceeded this commercial coverage during the year ended June 30, 2019.

**NOTE 16 – Liquidity and Availability of Resources**

At June 30, 2019, the School 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	\$6,643,572
Grants receivable	<u>1,410,401</u>
	<u>\$8,053,973</u>

None of the 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. The School's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. In addition, the School operates with a budget to monitor sources and uses of funds throughout the year.

**NOTE 17 – Date of Management's Review**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2019, and determined the following event occurred that requires disclosure. No subsequent events occurring after this date have been included for inclusion in these financial statements.

Joseph A. Craig Elementary School has experienced a decline in the school's letter grade over the past several years and after the school received a letter grade of F during its charter renewal year, the OPSB voted on December 19, 2019 not to extend its charter. The Friends of King School, Inc. will discontinue operation of that school at the close of business on June 30, 2020.

## **SUPPLEMENTARY INFORMATION**

**THE FRIENDS OF KING SCHOOL  
SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO THE AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Dr. Doris Roche-Hicks

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ 163,359
Benefits - Employer Portion of Medicare and Social Security	10,641
Benefits - Employer Portion of Retirement	9,663
Benefits - Other	9,456
Incentive	2,000
PIP	2,447
	<hr/>
	\$ 197,566

**THE FRIENDS OF KING SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<i>Federal Grantor/Program or Cluster Title</i>	<i>CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<b>United States Department of Education</b>		
(Passed through the Louisiana Department of Education)		
Title I Grants to Local Educational Agencies	84.010	\$925,482
<b>Special Education Cluster (IDEA)</b>		
Special Education Grants to States	84.027	246,297
Special Education - Preschool Grants	84.173	6,577
<b>Total Special Education Cluster</b>		<u>252,874</u>
Career and Technical Education Basic Grants to States	84.048	21,428
Improving Teacher Quality State Grants	84.367	113,132
Title IV A SSAE	84.424	34,941
<b>Total United States Department of Education</b>		<u>1,347,857</u>
<b>United States Department of Health and Human Services</b>		
(Passed through the Louisiana Department of Education)		
Temporary Assistance for Needy Families	93.558	290,261
<b>Total United States Department of Health and Human Services</b>		<u>290,261</u>
<b>United States Department of Agriculture</b>		
(Passed through the Louisiana Department of Education)		
<b>Child Nutrition Cluster</b>		
School Breakfast Program	10.553	207,559
National School Lunch Program	10.555	678,509
<b>Total Child Nutrition Cluster</b>		<u>886,068</u>
<b>Total United States Department of Agriculture</b>		<u>886,068</u>
<b>Total Other Programs</b>		<u>2,524,186</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$2,524,186</u></u>

The accompanying notes are an integral part of this schedule.

**THE FRIENDS OF KING SCHOOL**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Friends of King School (the School) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – Relationship to Financial Statements**

Federal awards are included in federal sources in the statement of activities for the year ended June 30, 2019.

**NOTE D – De Minimis Cost Rate**

During the year ended June 30, 2019, the School did not elect to use the 10% de minimus cost rate covered in §200.414 of the Uniform Guidance.



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

December 20, 2019

To the Board of Directors  
The Friends of King School  
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 The Friends of King School (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2019, 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 20, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Friends of King School'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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Hienz & Macaluso, LLC*  
Metairie, LA



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

December 20, 2019

To the Board of Directors  
The Friends of King School  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited The Friends of King School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Friends of King School's major federal programs for the year ended June 30, 2019. The Friends of King School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, The Friends of King School 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, 2019.

### **Report on Internal Control Over Compliance**

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

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

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

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

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

*Hienz & Macaluso, LLC*  
Metairie, LA

**THE FRIENDS OF KING SCHOOL**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of The Friends of King School.
2. No control deficiencies were disclosed during the audit of the financial statements of The Friends of King School.
3. No instances of noncompliance material to the financial statements of The Friends of King School.
4. No control deficiencies relating to the audit of internal control over major federal award programs are reported on the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for The Friends of King School expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings which are required to be reported by the Uniform Guidance.
7. The programs tested as major programs include:

	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Temporary Assistance for Needy Families	93.558
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. The Friends of King School was determined to be a low-risk auditee.

**B. Financial Statement Findings and Questioned Costs**

There were no financial statement findings or questioned costs for the year ended June 30, 2019.

**C. Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the year ended June 30, 2019.

**D. Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2019.

**THE FRIENDS OF KING SCHOOL  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**E. Other Matter**

**Alleged Ethics Violations**

In October 2014, the Louisiana State Board of Ethics filed charges alleging that the School's CEO and three additional employees violated the Louisiana Code of Governmental Ethics. According to Louisiana Revised Statute (LRS) 17:3996(B)(20), the School is subject to the Louisiana Code of Governmental Ethics (specifically as it relates to the hiring of immediate family members) because Friends of King, Inc. agreed in its charter contract to comply with the terms of the code. If found to be in violation of the State ethics laws, it could result in fines/penalties being assessed against the employees. In June 2018, the Ethics Adjudicatory Board ruled against the school's CEO and the three employees. In September 2018, the school's CEO and the three employees were granted an appeal by the First Circuit Court of Appeals in Baton Rouge, LA. The appeal was denied and fines were issued to the individuals. The case is now closed. The Friends of King School's liability insurance is paying the fines. By law, no charges could have been filed against Friends of King, Inc. or Friends of King School District and, therefore, no fines are being assessed against those entities.

**THE FRIENDS OF KING SCHOOL**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

*Section I – Internal Control and Compliance Material to the Financial Statements:*

There were no prior year findings.

*Section II – Internal Control and Compliance Material to Federal Awards:*

There were no prior year findings.

*Section III - Management Letter:*

A management letter was not issued in connection with the audit for the year ended June 30, 2018.



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

December 20, 2019

To the Board of Directors  
The Friends of King School  
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of The Friends of King School; 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 The Friends of King School for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin; in compliance with Louisiana Revised Statute 24:514. Management of The Friends of King School 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

- ❖ Total General Fund Instructional Expenditures
- ❖ Total General Fund Equipment Expenditures
- ❖ Total Local Taxation Revenues
- ❖ Total Local Earnings on Investment in Real Property
- ❖ Total State Revenue in Lieu of Taxes
- ❖ Nonpublic Textbook Revenue
- ❖ Nonpublic Transportation Revenue

Findings: None

**Class Size Characteristics (Schedule 2)**

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 ten classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None

**Education Levels/Experience of Public School Staff (NO SCHEDULE)**

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), 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/listing was 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 or equivalent listing prepared by management.

Findings: None

**Public School Staff Data: Average Salaries (NO SCHEDULE)**

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was 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 (or equivalent listing prepared by management).

Findings: None

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 standards contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 The Friends of King School, as required by Louisiana Revised Statute 24:514.1, 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 Legislative Auditor as a public document.

*Hienz & Macaluso, LLC*  
Metairie, LA

**THE FRIENDS OF KING SCHOOL**  
**New Orleans, Louisiana**

**Schedule 1**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2019**

	<b>Column A</b>	<b>Column B</b>
<b><u>General Fund Instructional and Equipment Expenditures</u></b>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 3,687,333	
Other Instructional Staff Activities	679,636	
Instructional Staff Employee Benefits	1,047,195	
Purchased Professional and Technical Services	38,983	
Instructional Materials and Supplies	69,820	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>                    </u>	\$ 5,522,967
Other Instructional Activities		27,826
Pupil Support Activities	495,180	
Less: Equipment for Pupil Support Activities	<u>                    </u>	
Net Pupil Support Activities		495,180
Instructional Staff Services	372,267	
Less: Equipment for Instructional Staff Services	<u>                    </u>	
Net Instructional Staff Services		<u>372,267</u>
School Administration	1,408,850	
Less: Equipment for School Administration	<u>                    </u>	
Net School Administration		<u>1,383,005</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 7,801,245</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$ 25,845</u>
<b><u>Certain Local Revenue Sources</u></b>		
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	<u>                    </u>	
Total Local Taxation Revenue		<u>\$ -</u>
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	<u>                    </u>	
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	<u>                    </u>	
Total State Revenue in Lieu of Taxes		<u>\$ -</u>
Nonpublic Textbook Revenue	<u>                    </u>	
Nonpublic Transportation Revenue		<u>\$ -</u>

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

**THE FRIENDS OF KING SCHOOL**  
**New Orleans, Louisiana**

**Class Size Characteristics**  
**As of October 1, 2018**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	17%	18	2%	2	42%	25	63%	10
Elementary Activity Classes	0%	-	0%	-	3%	2	13%	2
Middle/Jr. High	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	70%	74	94%	78	53%	31	0%	-
Combination Activity Classes	12%	13	4%	3	2%	1	25%	4
Totals	100%	105	100%	83	100%	59	100%	16

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



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

Board of Directors of The Friends of King School  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The Friends of King School (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### ***Bank Reconciliations***

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1. Obtain a listing of client bank accounts 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:

We obtained the required listing as well as management's representation that the listing was complete.

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

1 of the 3 bank reconciliations selected was prepared later than 2 months from the related statement date.

### **Management's Response**

There have been occasions where the bank statements were not officially reconciled within 2 months of the statement closing date due to the fact that while researching older outstanding items, adjustments, voids, stop payments, etc., may have had to be made. Although the bank statements may have not been officially reconciled, they were reviewed within a few days after receipt. Going forward, Friends of King will make every effort to have the bank statements reconciled within 2 months of the statement closing dates.

- 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

Each of the 3 bank reconciliations selected included evidence that a member of management/board member who does not handle cash, post ledgers, or review checks, has reviewed the bank reconciliation.

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

Management has documentation that it has researched reconciling items that have been outstanding for more than 12 months.

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 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.

The purpose of this report is 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.

*Hienz & Macaluso, LLC*  
**Metairie, Louisiana**  
December 20, 2019