

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2020



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Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
d/b/a Einstein Charter Schools
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Einstein Group, Inc. d/b/a Einstein Charter Schools (Einstein), which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Einstein as of June 30, 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of board of directors, the schedules of compensation, benefits, and other payments to agency head or chief executive officer, the schedule of financial position by school, and the schedule of activities by school are presented for purposes of additional analysis and are 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* (CFR) 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.

The performance and statistical data, included as Schedules 1 and 2, is not a required part of the financial statements, but is supplementary information required by Louisiana State Law. 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. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of Einstein'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 the effectiveness of Einstein's 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 Einstein's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 9, 2020

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2020

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 7,586,146
Grants Receivable	<u>1,101,852</u>
Total Current Assets	<u>8,687,998</u>
Fixed Assets	
Furniture, Fixtures, and Equipment	403,750
Accumulated Depreciation	<u>(389,000)</u>
Total Fixed Assets, Net	<u>14,750</u>
Total Assets	<u>\$ 8,702,748</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 29,361
Accrued Liabilities	1,335,575
Note Payable	<u>3,675,437</u>
Total Current Liabilities	<u>5,040,373</u>
Net Assets	
With Donor Restrictions	87,500
Without Donor Restrictions	<u>3,577,261</u>
Total Net Assets	<u>3,664,761</u>
Total Liabilities and Net Assets	<u>\$ 8,705,134</u>

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

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
State and Local Public School Funding	\$ 17,571,031	\$ -	\$ 17,571,031
Federal Grants			
Grants for Education	3,048,402	-	3,048,402
School Food Service Revenue	1,083,230	-	1,083,230
Other Grants and Contributions	547,485	-	547,485
	<hr/>		
Total Revenue, Grants, and Other Support	22,250,148	-	22,250,148
	<hr/>		
Expenses			
Program Services	18,403,398	-	18,403,398
Management and General	3,871,259	-	3,871,259
	<hr/>		
Total Expenses	22,274,657	-	22,274,657
	<hr/>		
Change in Net Assets	(24,509)	-	(24,509)
	<hr/>		
Net Assets, Beginning of Year	3,601,770	87,500	3,689,270
	<hr/>		
Net Assets, End of Year	\$ 3,577,261	\$ 87,500	\$ 3,664,761
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The accompanying notes are an integral part of these financial statements.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2020

	<u>Education Programs</u>	<u>Supporting Services</u>	
	Program Services	Management and General	Total
Salaries	\$ 9,941,468	\$ 1,630,363	\$ 11,571,831
Employee Benefits	3,527,190	585,453	4,112,643
Purchased Services	1,007,586	695,997	1,703,583
Food Services	1,020,554	-	1,020,554
Supplies, Materials, and Textbooks	935,614	75,692	1,011,306
Student Transportation	783,784	-	783,784
Administration Fee	-	597,776	597,776
Repairs	535,469	2,315	537,784
Utilities	344,417	-	344,417
Dues and Miscellaneous	139,754	101,974	241,728
Insurance	-	158,438	158,438
Security	92,569	-	92,569
Phone, Internet, and Postage	59,518	159	59,677
Advertising	11,378	21,898	33,276
Travel	3,847	1,194	5,041
Depreciation	250	-	250
Total	<u>\$ 18,403,398</u>	<u>\$ 3,871,259</u>	<u>\$ 22,274,657</u>

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

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in Net Assets	\$ (24,509)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used in Operating Activities	
Depreciation	250
Increase in Grants Receivable	(931,034)
Increase in Accrued Liabilities	446,522
Decrease in Accounts Payable	<u>(557,479)</u>
Total Adjustments	<u>(1,041,741)</u>
Net Cash Used in Operating Activities	<u>(1,066,250)</u>
Cash Flows from Investing Activities	
Purchases of Furniture and Equipment	<u>(15,000)</u>
Net Cash Used in Investing Activities	<u>(15,000)</u>
Cash Flows from Financing Activities	
Proceeds from Notes Payable	<u>3,675,437</u>
Net Cash Provided by Financing Activities	<u>3,675,437</u>
Net Increase in Cash and Cash Equivalents	2,594,187
Cash and Cash Equivalents, Beginning of Year	<u>4,991,959</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,586,146</u>

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Einstein Group, Inc. (the Corporation) was created as a non-profit corporation under the laws of the State of Louisiana on January 27, 2004. The Corporation applied to the Orleans Parish School Board to operate a Type 1 charter school. The Corporation does business as Einstein Charter Schools (Einstein). On March 21, 2005, the Orleans Parish School Board approved the charter of The Einstein Group, Inc. to create the Einstein Charter Schools. In July 2011, Einstein received a 6-year extension of the charter. Einstein serves eligible students in pre-kindergarten through eighth grade.

During the year ended June 30, 2013, Einstein amended its charter agreement to include two locations. This was due to Einstein taking over the operations of a nearby charter school location. Effective July 1, 2013, the Corporation began operations of the new campus.

During the year ended June 30, 2015, Einstein amended its charter agreement to add high school grades 9 - 12. This was due to Einstein taking over the operations of a nearby charter school location. Effective July 1, 2015, the Corporation began operations of a middle school at the new campus. Effective August 2016, the Corporation began operations of a high school at that same location.

On March 16, 2017, the Orleans Parish School Board approved each of Einstein's application to be considered their own Local Educational Agency (LEA). Effective July 1, 2017, the Orleans Parish School Board extended the charter of each School for five years and entered into an operating agreement that terminates on June 30, 2022.

Einstein leases its campuses rent free from the Louisiana Recovery School District.

A summary of Einstein's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Einstein is required to record unconditional promises to give (pledges) as receivables and revenues and to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under FASB ASC 958, Einstein is required to report information regarding its financial position and activities according to two classes of net assets:

- a. Net Assets Without Donor Restrictions
- b. Net Assets With Donor Restrictions

In addition, Einstein is required to present a statement of cash flows.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 Einstein are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenues

Einstein's primary source of funding is through the State and Local Public School Funding which made up 79% of its funding for the year ended June 30, 2020. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Grants and contributions are recognized when the donor makes a promise to give to Einstein that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. 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 Einstein.

Net Assets

Einstein is required to report information regarding its financial position and activities according to two classes of net assets, which are the following:

Net Assets Without Donor Restrictions - Net assets that are resources available to support operations.

Net Assets With Donor Restrictions - Net assets that are resources that are restricted by the donor for use for a particular purpose or in a particular future period. When the donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions.

Income Taxes

Einstein is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Einstein's tax-exempt purpose is subject to taxation as unrelated business income.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, Einstein considers all investments purchased with an original maturity of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations

Einstein received 79% of its revenues in the year ended June 30, 2020 from the State Public School Funding subject to its charter school contract, and 18% of its funding from the federal government.

As noted earlier, Einstein is leasing its buildings from the Louisiana Recovery School District rent free. Should these leases not be extended further, it would have an unfavorable impact to Einstein.

Revenues and Support

State Public School Funding

Einstein's primary source of funding is through the State Public School Fund. Einstein receives funding per eligible student in attendance on October 1st, payable in monthly installments. The October 1st student count is audited by the Louisiana Department of Education. Adjustments are made in the following year.

Federal and State Grants

Federal and state grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Private Grants and Contributions

Private grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Einstein will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues and Support (Continued)

Other Income

Revenue from other sources, including student activities and meals, is recorded and recognized as revenue in the period in which Einstein provides the service at the amount that reflects the consideration to which Einstein expects to be entitled for providing the service or good.

Contracts vs. Contributions

Einstein utilizes the guidance in Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by Einstein. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service, which is deemed to be the school year, which is simultaneous with the fiscal year. Einstein believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, there are no significant performance obligations satisfied over time. Einstein measures the performance obligation throughout the school year. Revenue for performance obligations satisfied at a point in time, which includes most student activities and income from meals, is recognized when services are provided. Einstein determines the transaction price based on standard charges for goods or services provided to students, which are predetermined by management. Fees are generally nonrefundable, and total refunds issued annually are considered negligible.

Recent Accounting Pronouncements - Not Yet Adopted

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition to enable financial statement users to understand the nature, timing, amount, and uncertainty of revenue and cash flow arising from contracts with customers. Einstein implemented ASU 2014-09 using a modified retrospective method of application to all contracts. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

Functional Expenses

The cost of providing the Einstein's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification, and then allocated if an expenditure benefits more than one program or function. Einstein management expenses are allocated based on each school's enrollment for the year ended June 30, 2020.

Liquidity and Availability

Einstein's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. It regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources that Einstein has available. In addition, Einstein operates with a budget to monitor sources and uses of funds throughout the year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 7,498,646
Grants Receivable	<u>1,101,852</u>
Total	<u>\$ 8,600,498</u>

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

Einstein's cash and cash equivalents (book balances) at June 30, 2020 were \$7,586,146, which are stated at cost and approximate market.

Note 3. Restriction on Assets

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of Einstein. These restrictions are considered to expire when payments for restricted purposes are made. At June 30, 2020, Einstein had \$87,500 in net assets with donor restrictions.

Note 4. Grants Receivable

As of June 30, 2020, grants receivable totaled \$1,101,852, which is a combination of state and federal grants. The grants receivable balance is considered to be fully collectible.

Note 5. Fixed Assets

Depreciation expense for the year ended June 30, 2020 was \$250. Depreciation is calculated using the straight-line method with useful lives of 5 years.

All assets acquired with Louisiana Department of Education funds are owned by Einstein while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency.

Note 6. Accrued Liabilities

As of June 30, 2020, Einstein has recorded accrued liabilities of \$1,335,575. The entire amount is for employee salaries and other related employee benefits.

Note 7. Retirement Plan

Certain employees of Einstein participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows.

Notes to Financial Statements

Note 7. Retirement Plan (Continued)

Plan Description

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. At June 30, 2020, the TRSL was 68.6% funded. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. Einstein is required to contribute at an actuarially determined rate. During the year ended June 30, 2020, the employer contribution rate was 26.0%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. Einstein's contribution to the plan for the years ended June 30, 2020, 2019, and 2018 was \$2,929,663, \$2,434,254, and \$2,701,436, respectively, which was equal to the required contribution.

Note 8. Uncertain Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Einstein believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in general administration expenses.

Note 9. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which Einstein operates.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 9. Risks and Uncertainties (Continued)

While it is unknown how long these conditions will last and what the complete financial effect will be to Einstein, to date, Einstein is experiencing moderate disruptions including conversions to digital learning options, additional costs related to sanitization and technology supplies, and reductions in enrollment due to alternative school options. Einstein's concentrations due to significant state and federal funding make it reasonably possible that Einstein is vulnerable to the risk of a near-term significant impact. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

Note 10. Note Payable

On May 6, 2020, Einstein entered into a U.S. Small Business Association (SBA) Payroll Protection Program loan (PPP loan) with Liberty Bank in the amount of \$3,675,437, at an interest rate of 1.0% per annum, with the first six months of interest deferred. The PPP loan has a term of two years and is unsecured and guaranteed by the SBA.

The principal amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon Einstein's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Einstein. Einstein intends to apply for forgiveness of the PPP loan with respect to these covered expenses. To the extent that all or part of the PPP loan is not forgiven, Einstein will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing on December 1, 2020, principal and interest payments will be required through the maturity date of May 6, 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

Note 11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2020, and determined that the following event occurred which requires disclosure.

On August 1, 2020, Einstein entered into a U.S. Small Business Association (SBA) Disaster Relief loan with the SBA in the amount of \$150,000, at an interest rate of 2.75% per annum, with the first twelve months of interest deferred. The disaster relief loan has a term of thirty years and is secured with business assets as collateral.

No subsequent events occurring after December 9, 2020 have been evaluated for inclusion in these financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The Einstein Group, Inc.
d/b/a Einstein Charter Schools
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by The Einstein Group, Inc. d/b/a Einstein Charter Schools (Einstein), 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 Einstein for the fiscal year ended June 30, 2020, 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 24:514.1. Management of Einstein 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 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
 - 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 10 classes to the October 1st 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 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.

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 Einstein, as required by Louisiana Revised Statute 24:514.1, 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

Professional Accounting Corporation

Covington, LA
December 9, 2020

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2020**

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

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.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2019**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 4,748,927	
Other Instructional Staff Salaries	656,990	
Instructional Staff Employee Benefits	2,569,483	
Purchased Professional and Technical Services	509,108	
Instructional Materials and Supplies	388,817	
Instructional Equipment	15,000	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 8,888,325
Other Instructional Activities		495,976
Pupil Support Services	666,615	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
Net Pupil Support Services		666,615
Instructional Staff Services	499,422	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		499,422
School Administration	2,083,773	
Less: Equipment for School Administration	-	
	<hr/>	
Net School Administration		2,083,773
		<hr/>
Total General Fund Instructional Expenditures		\$ 12,634,111
		<hr/>
Total General Fund Equipment Expenditures		\$ 15,000

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	-	
	<hr/>	
Total Local Taxation Revenue		\$ -
Local Earnings on Investment in Real Property		
Earnings from 16 th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
Total Local Earnings on Investment in Real Property		\$ -
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
Total State Revenue in Lieu of Taxes		\$ -
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	

See independent accountant's report on applying agreed-upon procedures.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2019

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	28%	68	69%	165	3%	6	0%	0
Elementary Activity	20%	7	77%	27	3%	1	0%	0
Middle/Jr. High	28%	27	12%	11	51%	48	9%	9
Middle/Jr. High Activity	10%	2	15%	3	65%	13	10%	2
High	69%	138	17%	34	13%	27	1%	2
High Activity	62%	8	8%	1	15%	2	15%	2

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2020**

Board Members

Compensation

Durrell Laurant, President
3440 Peoples Avenue
New Orleans, LA 70122
(504) 931-6256

\$-0-

Lauren Narcisse
2713 Jasmin Street
New Orleans, LA 70122
(919) 599-2235

\$-0-

Joe Rochelle
5562 Woodlawn Place
New Orleans, LA 70124
(504) 451-4885

\$-0-

Clarice T. Kirkland
P.O. Box 870243
New Orleans, LA 70122
(504) 253-9854

\$-0-

Maya Edwards
13241 Saint Helena Place
New Orleans, LA 70129
(504) 403-7521

\$-0-

Angela Vance
4769 Sherwood Drive
New Orleans, LA 70128
(504) 267-5294

\$-0-

Dr. Raymond Delaney
1109 Dickory Ave, D239
River Ridge, LA 70123
(504) 239-0887

\$-0-

See independent auditor's report.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2020**

Agency Head
Michael McKenzie, Sr., CEO

Purpose	Amount
Salary	\$165,846
Stipend	\$0
Vacation/Sick Payout	\$5,517
Benefits - Health Insurance	\$5,965
Benefits - Retirement	\$43,163
Benefits - Life Insurance	\$0
Benefits - Worker's Compensation	\$0
Benefits - Dental	\$0
Benefits - Vision	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$2,000
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Financial Position by School
June 30, 2020

	Village de l'Est Charter School	Reed Middle Charter School	Reed High Charter School	Sherwood Forest Charter School	Eliminations	Total
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 5,234,414	\$ 707,460	\$ (285,195)	\$ 1,929,467	\$ -	\$ 7,586,146
Interschool Receivable	-	1,282,092	1,233,315	75,755	(2,591,162)	-
Grants Receivable	231,650	217,223	131,759	521,220	-	1,101,852
Total Current Assets	5,466,064	2,206,775	1,079,879	2,526,442	(2,591,162)	8,687,998
Fixed Assets						
Furniture, Fixtures, and Equipment	305,402	-	15,000	83,348	-	403,750
Less: Accumulated Depreciation	(305,402)	-	(250)	(83,348)	-	(389,000)
Net Property and Equipment	-	-	14,750	-	-	14,750
Total Assets	\$ 5,466,064	\$ 2,206,775	\$ 1,094,629	\$ 2,526,442	\$ (2,591,162)	\$ 8,702,748
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 29,361	\$ -	\$ -	\$ -	\$ -	29,361
Accrued Liabilities	409,431	326,982	225,429	373,733	-	1,335,575
Interschool Payable	2,591,162	-	-	-	(2,591,162)	-
Notes Payable	842,825	955,614	955,614	921,384	-	3,675,437
Total Current Liabilities	3,872,779	1,282,596	1,181,043	1,295,117	(2,591,162)	5,040,373
Net Assets						
With Donor Restrictions	10,000	8,500	64,000	5,000	-	87,500
Without Donor Restrictions	1,583,285	915,679	(150,414)	1,226,325	-	3,574,875
Total Net Assets	1,593,285	924,179	(86,414)	1,231,325	-	3,662,375
Total Liabilities and Net Assets	\$ 5,466,064	\$ 2,206,775	\$ 1,094,629	\$ 2,526,442	\$ (2,591,162)	\$ 8,702,748

See independent auditor's report.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Activities by School
For the Year Ended June 30, 2020**

	Village de l'Est Charter School			Reed Middle Charter School			Reed High Charter School		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue									
State and Local Public School Funding	\$ 4,451,188	\$ -	\$ 4,451,188	\$ 4,360,402	\$ -	\$ 4,360,402	\$ 4,358,394	\$ -	\$ 4,358,394
Federal Grants									
Grants for Education	757,024	-	757,024	541,931	-	541,931	569,481	-	569,481
School Food Service Revenue	241,450	-	241,450	219,828	-	219,828	384,351	-	384,351
Other Grants and Contributions	480,942	-	480,942	15,102	-	15,102	31,194	-	31,194
Total Support and Revenue	5,930,604	-	5,930,604	5,137,263	-	5,137,263	5,343,420	-	5,343,420
Expenses									
Program Services									
Regular Education Programs	2,563,195	-	2,563,195	1,778,651	-	1,778,651	1,953,845	-	1,953,845
Special Education Programs	427,724	-	427,724	548,786	-	548,786	412,038	-	412,038
Career and Technical Education Programs	-	-	-	-	-	-	277,399	-	277,399
Special Programs	174,836	-	174,836	-	-	-	-	-	-
Other Instructional Programs	285,261	-	285,261	260,250	-	260,250	289,909	-	289,909
Pupil Support Services	182,015	-	182,015	178,136	-	178,136	176,433	-	176,433
Instructional Staff Services	141,645	-	141,645	166,026	-	166,026	42,540	-	42,540
School Administration	353,944	-	353,944	402,522	-	402,522	430,585	-	430,585
Operation and Maintenance	286,447	-	286,447	326,807	-	326,807	257,302	-	257,302
Student Transportation Services	190,125	-	190,125	241,233	-	241,233	197,813	-	197,813
Food Service	309,724	-	309,724	276,469	-	276,469	175,634	-	175,634
Depreciation	2,386	-	2,386	-	-	-	250	-	250
Management and General									
School Administration	149,010	-	149,010	59,411	-	59,411	28,812	-	28,812
General Administration	249,380	-	249,380	12,943	-	12,943	11,774	-	11,774
Business Services	193,596	-	193,596	382	-	382	8,566	-	8,566
Central Services	863,164	-	863,164	788,233	-	788,233	534,017	-	534,017
Total Expenses	6,372,452	-	6,372,452	5,039,849	-	5,039,849	4,796,917	-	4,796,917
Change in Net Assets	(441,848)	-	(441,848)	97,414	-	97,414	546,503	-	546,503
Net Assets, Beginning of Year	2,025,133	10,000	2,035,133	818,265	8,500	826,765	(696,917)	64,000	(632,917)
Net Assets, End of Year	\$ 1,583,285	\$ 10,000	\$ 1,593,285	\$ 915,679	\$ 8,500	\$ 924,179	\$ (150,414)	\$ 64,000	\$ (86,414)

See independent auditor's report.

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Activities by School (Continued)
For the Year Ended June 30, 2020

	Sherwood Forest Charter School			Eliminating			Without Donor Restrictions	With Donor Restrictions	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Support and Revenue									
State and Local Public School Funding	\$ 4,401,047	\$ -	\$ 4,401,047	\$ -	\$ -	\$ -	\$ 17,571,031	\$ -	\$ 17,571,031
Federal Grants									
Grants for Education	1,179,966	-	1,179,966	-	-	-	3,048,402	-	3,048,402
School Food Service Revenue	237,601	-	237,601	-	-	-	1,083,230	-	1,083,230
Other Grants and Contributions	20,247	-	20,247	-	-	-	547,485	-	547,485
Total Support and Revenue	5,838,861	-	5,838,861	-	-	-	22,250,148	-	22,250,148
Expenses									
Program Services									
Regular Education Programs	2,212,265	-	2,212,265	-	-	-	8,507,956	-	8,507,956
Special Education Programs	705,125	-	705,125	-	-	-	2,093,673	-	2,093,673
Career and Technical Education Programs	-	-	-	-	-	-	277,399	-	277,399
Special Programs	347,173	-	347,173	-	-	-	522,009	-	522,009
Other Instructional Programs	354,346	-	354,346	-	-	-	1,189,766	-	1,189,766
Pupil Support Services	181,370	-	181,370	-	-	-	717,954	-	717,954
Instructional Staff Services	128,603	-	128,603	-	-	-	478,814	-	478,814
School Administration	323,192	-	323,192	-	-	-	1,510,243	-	1,510,243
Operation and Maintenance	453,343	-	453,343	-	-	-	1,323,899	-	1,323,899
Student Transportation Services	154,613	-	154,613	-	-	-	783,784	-	783,784
Food Service	259,235	-	259,235	-	-	-	1,021,062	-	1,021,062
Depreciation	-	-	-	-	-	-	2,636	-	2,636
Management and General									
School Administration	69,193	-	69,193	-	-	-	306,426	-	306,426
General Administration	9,905	-	9,905	-	-	-	284,002	-	284,002
Business Services	7,240	-	7,240	-	-	-	209,784	-	209,784
Central Services	862,222	-	862,222	-	-	-	3,047,636	-	3,047,636
Total Expenses	6,067,825	-	6,067,825	-	-	-	22,277,043	-	22,277,043
Change in Net Assets	(228,964)	-	(228,964)	-	-	-	(26,895)	-	(26,895)
Net Assets, Beginning of Year	1,455,289	5,000	1,460,289	-	-	-	3,601,770	87,500	3,689,270
Net Assets, End of Year	\$ 1,226,325	\$ 5,000	\$ 1,231,325	\$ -	\$ -	\$ -	\$ 3,574,875	\$ 87,500	\$ 3,662,375

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
d/b/a Einstein Charter Schools
New Orleans, Louisiana

We have audited, 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, the financial statements of The Einstein Group, Inc. d/b/a Einstein Charter Schools (Einstein), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Einstein's basic financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Einstein's internal control over financial reporting (internal control) as a basis for designing 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 Einstein's internal control. Accordingly, we do not express an opinion on the effectiveness of Einstein'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 over financial reporting 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 Einstein'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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Einstein's internal control and compliance. Accordingly, this communication 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
December 9, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
d/b/a Einstein Charter Schools
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited The Einstein Group, Inc. d/b/a Einstein Charter Schools' (Einstein), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Einstein's major federal programs for the year ended June 30, 2020. Einstein's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Einstein'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 Einstein'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 the major federal programs. However, our audit does not provide a legal determination of Einstein's compliance.

Opinion on Major Federal Programs

In our opinion, Einstein complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Einstein 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 Einstein's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 Einstein'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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 9, 2020

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Agriculture		
(Passed through the State of Louisiana)		
Child Nutrition Cluster		
National School Lunch Program	10.555	<u>\$ 1,034,711</u>
Total Child Nutrition Cluster		1,034,711
Child and Adult Care Food Program	10.558	<u>48,519</u>
Total United States Department of Agriculture		<u>1,083,230</u>
United States Department of Education		
Charter Schools	84.282 *	495,916
(Passed through the Louisiana Department of Education)		
Title I Grants to Local Educational Agencies	84.010 *	1,055,456
Special Education Cluster		
Special Education Grants to States	84.027	390,001
School Climate Transformation Grant	84.184G	1,500
Twenty-First Century Community Learning Centers	84.287	499,022
English Language Acquisition State Grants	84.365	97,519
Improving Teacher Quality State Grants	84.367	113,952
Student Support and Academic Enrichment	84.424	<u>62,624</u>
Total United States Department of Education		<u>2,715,990</u>
United States Department of Health and Human Services		
(Passed through the Louisiana Department of Education)		
Temporary Assistance for Needy Families (TANF)	93.558	<u>332,362</u>
Total United States Department of Health and Human Services		<u>332,362</u>
Total Expenditures of Federal Awards		<u>\$ 4,131,582</u>

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Accounting

The schedule is prepared on the accrual basis of accounting.

Note 2. De Minimis Cost Rate

The 10% de minimis indirect cost rate was used for Charter Schools (84.282).

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c) Noncompliance noted? | No |
| 3) Management letter comment provided? | None |

Federal Awards

- | | |
|---|---------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5) Type of auditor's report issued on compliance for major programs | Unmodified |
| 6) Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7) Identification of major programs | |
| 84.010 – Title I Grants to Local Educational Agencies | |
| 84.282 – Charter Schools | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 9) Auditee qualified as a low-risk auditee under Uniform Guidance | Yes |

Section II. Internal Control Over Financial Reporting

None.

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

None.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020**

None.