

IDEA PUBLIC SCHOOLS LOUISIANA, INC.

FINANCIAL STATEMENTS

June 30, 2019 and 2018



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IDEA PUBLIC SCHOOLS LOUISIANA, INC.
TABLE OF CONTENTS
JUNE 30, 2019

REPORT

Independent Auditors' Report	1
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FINANCIAL STATEMENTS

Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expense	7
Statements of Cash Flows	9
Notes to Financial Statements	10

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits and Other Payments Made to Agency Head	20
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**REPORTS AND SCHEDULES REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND
UNIFORM GUIDANCE**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	29



Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
IDEA Public Schools Louisiana, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of IDEA Public Schools Louisiana, Inc. (a nonprofit organization) (the School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 School'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 School'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 School as of June 30, 2019 and 2018, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, effective January 1, 2018, the School adopted, the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The School has adjusted the presentation of the accompanying financial statements accordingly, applying the changes retrospectively to the comparative period (2018) presented. Our conclusion has not been modified with respect to this matter.

Other Matters

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 made to agency head and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, and Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 19, 2019 on our consideration of the 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 School's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

December 19, 2019



Financial Statements

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION

<i>As of June 30,</i>	<i>2019</i>	<i>2018</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 293,391	\$ 500,568
Restricted cash	13,510	-
Contributions receivable	-	1,343,420
Grants receivable	812,412	-
Due from subrecipient grantor	212,490	846,195
Total current assets	1,331,803	2,690,183
PROPERTY AND EQUIPMENT		
Equipment	216,986	164,011
Less: Accumulated depreciation	(129,217)	(68,338)
Property and equipment, net	87,769	95,673
OTHER ASSETS		
Other assets	315,008	12,446
Total other assets	315,008	12,446
TOTAL ASSETS	\$ 1,734,580	\$ 2,798,302
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 69,315	\$ 38,958
Accrued expenses	202,212	210,224
Deferred lease liability	818,862	-
Due to management company	2,656,286	2,058,904
Total current liabilities	3,746,675	2,308,086
NET ASSETS		
Without donor restrictions	(2,025,605)	95,773
With donor restrictions	13,510	394,443
Total net assets	(2,012,095)	490,216
TOTAL LIABILITIES AND NET ASSETS	\$ 1,734,580	\$ 2,798,302

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

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2019

	Without Donor Restrictions	With Donor Retrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Grants - federal sources	\$ -	\$ 3,157,550	\$ 3,157,550
Grants - state and local sources	-	9,547,119	9,547,119
Grants - private sources	-	829,640	829,640
Miscellaneous	-	67,806	67,806
Net assets released from restrictions	13,983,048	(13,983,048)	-
Total public support and other revenues	13,983,048	(380,933)	13,602,115
EXPENSES			
Program			
Instructional	5,490,307	-	5,490,307
School administration	2,848,082	-	2,848,082
Pupil support services	460,023	-	460,023
Instructional staff services	459,207	-	459,207
Total program	9,257,619		9,257,619
Support			
Management and general	1,698,970	-	1,698,970
Business services	257,173	-	257,173
Ancillary services	4,890,664	-	4,890,664
Total support	6,846,807		6,846,807
Total expenses	16,104,426	-	16,104,426
CHANGES IN NET ASSETS	(2,121,378)	(380,933)	(2,502,311)
NET ASSETS - BEGINNING OF YEAR	95,773	394,443	490,216
NET ASSETS - END OF YEAR	\$ (2,025,605)	\$ 13,510	\$ (2,012,095)

The accompanying footnotes are an integral part of this financial statement.

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Grants - federal sources	\$ 846,195	\$ -	\$ 846,195
Grants - private sources	-	3,003,420	3,003,420
Net assets released from restrictions	3,105,426	(3,105,426)	-
Total public support and other revenues	3,951,621	(102,006)	3,849,615
EXPENSES			
Support			
Management and general	4,006,291	-	4,006,291
Total expenses	4,006,291	-	4,006,291
CHANGES IN NET ASSETS	(54,670)	(102,006)	(156,676)
NET ASSETS - BEGINNING OF YEAR	150,443	496,449	646,892
NET ASSETS - END OF YEAR	\$ 95,773	\$ 394,443	\$ 490,216

The accompanying footnotes are an integral part of this financial statement.

IDEA PUBLIC SCHOOLS LOUISIANA, INC. STATEMENT OF FUNCTIONAL EXPENSES

<i>For the Year Ended June 30, 2019</i>	Program Services					Support Services				
	Instructional	School Administration	Pupil Support Services	Instructional Staff Services	Total	Management and General	Business Services	Ancillary Services	Total	Total
Audit services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,750	\$ -	\$ -	\$ 31,750	\$ 31,750
Consulting services	-	-	-	879	879	68,236	-	-	68,236	69,115
Contracted salaries and benefits	3,719,968	1,400,436	321,108	123,980	5,565,492	768,143	249,053	1,368,186	2,385,382	7,950,874
Contracted services	326,249	510,469	79,969	241,750	1,158,437	544,466	2,178	359,364	906,008	2,064,445
Depreciation	-	-	-	-	-	60,879	-	-	60,879	60,879
Dues	900	-	-	-	900	-	-	-	-	900
Food	-	-	-	-	-	-	-	411,998	411,998	411,998
Insurance	-	-	-	-	-	11,892	-	250,607	262,499	262,499
Legal services	-	-	-	-	-	52,498	-	-	52,498	52,498
Miscellaneous	9,338	44,822	-	15,271	69,431	27,719	368	51,760	79,847	149,278
Non-food	-	-	-	-	-	-	-	53,484	53,484	53,484
Operating leases	112,220	830,172	-	4,980	947,372	22,267	-	1,807,920	1,830,187	2,777,559
Other professional services	235,137	-	-	-	235,137	8,838	670	17	9,525	244,662
Property taxes	17,455	-	-	-	17,455	-	-	-	-	17,455
Repairs and maintenance	75,414	-	-	-	75,414	-	-	75,688	75,688	151,102
Staff tuition fees	-	-	-	573	573	-	-	1,852	1,852	2,425
Supplies	814,843	28,833	57,897	45	901,618	23,148	1,431	178,083	202,662	1,104,280
Testing and reading materials	4,820	3,658	628	66,365	75,471	-	-	-	-	75,471
Textbooks	145,808	-	-	-	145,808	358	-	-	358	146,166
Travel	9,320	29,289	421	5,364	44,394	45,800	3,473	131,223	180,496	224,890
Utilities	18,835	403	-	-	19,238	32,976	-	200,482	233,458	252,696
Total Expenses	\$ 5,490,307	\$ 2,848,082	\$ 460,023	\$ 459,207	\$ 9,257,619	\$ 1,698,970	\$ 257,173	\$ 4,890,664	\$ 6,846,807	\$ 16,104,426

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

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the Year Ended June 30, 2018</i>	<u>Support Services</u> <u>Management</u> <u>and General</u>	<u>Total</u>
Audit services	\$ 19,425	\$ 19,425
Contracted services	3,115,811	3,115,811
Depreciation	54,670	54,670
Dues	800	800
Insurance	20,508	20,508
Legal services	100,218	100,218
Miscellaneous	48,886	48,886
Operating leases	89,801	89,801
Other professional services	14,500	14,500
Supplies	182,134	182,134
Travel	333,628	333,628
Utilities	25,910	25,910
Total Expenses	\$ 4,006,291	\$ 4,006,291

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

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
STATEMENTS OF CASH FLOWS

<i>For the Year Ended June 30,</i>	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,502,311)	\$ (156,676)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	60,879	54,670
Changes in operating assets and liabilities:		
Contributions receivable	1,343,420	(583,420)
Grants receivable	(812,412)	-
Due from subrecipient grantor	633,705	(846,195)
Other current assets	(302,562)	(7,846)
Accounts payable	30,357	38,958
Accrued expenses	(8,012)	45,354
Deferred lease liability	818,862	-
Due to management company	597,382	1,924,698
Net cash (used in) provided by operating activities	(140,692)	469,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(52,975)	-
Net cash used in investing activities	(52,975)	-
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(193,667)	469,543
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	500,568	31,025
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 306,901	\$ 500,568
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 293,391	\$ 500,568
Restricted cash	13,510	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 306,901	\$ 500,568

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



IDEA PUBLIC SCHOOLS LOUISIANA, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

IDEA Public Schools Louisiana, Inc. (the School) is a Louisiana nonprofit corporation formed in February 2016. The School operates and does business as Individuals Dedicated to Excellence and Achievement (IDEA) Public Schools Louisiana. The School is an East Baton Rouge Parish School Board authorized, open enrollment Type 1 charter school. The East Baton Rouge Parish School Board pursuant to Chapter 2, Title 12 of the Louisiana Revised Statutes grants the Contract for Charter. The School provides educational services to students in grades Kindergarten (K) through 4 and 6 through 7; the School has plans to grow to serve grades K through 12 when fully scaled. The School commenced operations during the 2018-2019 school year.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, *Not-For-Profit Entities*. The School has classified its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions.

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

- ***Net Assets Without Donor Restrictions*** - Support, revenues, and expenses for the general operation of the School.
- ***Net Assets With Donor Restrictions*** - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period. This category also includes contributions subject to donor-imposed restrictions which are to be held in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income derived from the investment of these contributions. This category also includes restrictions for student activity funds.

Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Public and private grants received are recognized in the period received and when the terms of the grant are met. If public and private grant terms are not met, revenues are reimbursed to the funder. Contributions are recognized as revenue when they are received or unconditionally promised. Conditional promises to give are contingent upon the School meeting certain criteria specified by the donors. Revenue from conditional promises to give are not recognized until the condition has been fulfilled. Advances received from donors are recorded as deferred revenues until the condition has been fulfilled. Contributions are recorded with or without donor restrictions based on the existence of donor imposed restrictions. When a restriction expires, that is, when a stipulated time restriction or donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The School's policy is to report restricted support as with donor restrictions regardless of whether or not the restrictions are satisfied within the same fiscal year.

Contributions Receivable

Contributions receivable include unconditional promises to give and are recognized in the period received by the School. Conditional promises to give are not recognized until the conditions on which they depend are substantively met. Transfers of assets under conditional promises, which are received by the School prior to fulfilling these conditions, are recorded as a liability (i.e., deferred revenues) until the conditions are substantially met.

Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net class as the original contribution. As of June 30, 2019 and 2018, the School expects all unconditional contributions receivable to be collected within one year. An allowance is made for uncollectable contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. As a result of this analysis, management has determined no allowance is necessary as of June 30, 2019 and 2018.

Depreciation and Amortization

The School's capitalization policy requires the School to capitalize purchases with a cost greater than \$5,000 and a useful life greater than one year. Items are stated at cost and depreciation is calculated on the straight-line method based on a useful life of three years for computer software, five years for IT hardware, and seven years for equipment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects and the effects of obsolescence, demand, competition and other economic factors.

The School did not recognize an impairment loss during the years ended June 30, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. The majority of expenses are allocated based on actual time and effort. However, several expenses (e.g., utilities, supplies, repairs and maintenance, etc.) require allocation based on usage (e.g., building square footage, estimated consumption, etc.) by each function.

Federal Income Taxes

The School is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The School 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 financial statements.

Use of Estimates

The preparation of financial statements in conformity U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.



**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. For the years ended June 30, 2019 and 2018, the School did not receive in-kind goods or services that were significant in amount.

Adopted Accounting Pronouncements

Effective July 1, 2018, the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The School has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the School's financial statements:

- The “temporarily restricted” and “permanently restricted” net asset classes have been combined into a single net asset class termed “net assets with donor restriction” (Note 5).
- The “unrestricted” net asset class has been termed “net assets without donor restrictions”.
- The presentation of functional classification of expenses is supplemented with enhanced disclosures about the methods used to allocate cost among functions and the basis for which to allocate cost between program and supporting expenses.
- The financial statements include a new footnote disclosure about liquidity and availability of resources (See Note 10).

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.



IDEA PUBLIC SCHOOLS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the School serves as a resource recipient for the fiscal year ending June 30, 2020. Early adoption is permitted. The School is currently evaluating the impact of the guidance on its consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Organization has not yet determined the effect, if any, that the implementation of any such proposed or revised standards would have on its consolidated financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The School maintains its cash balances at a financial institution located in Baton Rouge, Louisiana. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2019 and 2018, the uninsured portion of the School's balances was \$310,197 and \$259,034, respectively. Management has not experienced any losses in such accounts and does not believe the School is exposed to significant risk.

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2019	2018
Computer software	\$ 164,011	\$ 164,011
IT hardware	27,838	-
Equipment	25,137	-
Less: Accumulated depreciation	(129,217)	(68,338)
Property and equipment, net	\$ 87,769	\$ 95,673

Depreciation expense was \$60,879 and \$54,670 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4 – CONDITIONAL CONTRIBUTIONS

The School has conditional promises-to-give from philanthropic organization in the amount of \$2,176,667.

The remaining future payments under the conditional promises to give from philanthropic organizations at June 30, 2019, are as follows:

Years ending June 30:	
2020	\$ 1,086,667
2021	1,630,000
Total	\$ 2,716,667

Payment is contingent upon the School meeting certain criteria specified by the donor. Certain conditions were met resulting in \$543,333 and \$3,000,000, respectively, being included in the financial statements during the years ended June 30, 2019 and 2018, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 consisted of cash amounts restricted for student activities, in the amount of \$13,510. Net assets with donor restrictions at June 30, 2018 consisted of restricted contributions from New Schools for Baton Rouge for the opening of a charter school in Baton Rouge, Louisiana, in the amount of \$394,443. Net assets released from donor restrictions by incurring expenses, or effectively satisfying the purpose/time restrictions specified by donors as of June 30, 2019 and 2018, was \$13,983,048 and \$3,105,426, respectively.

NOTE 6 – OPERATING LEASES

Administrative Office Space

The School leased office space for administrative purposes under a twelve-month lease agreement commencing October 1, 2016. The base lease payment was \$850 per month with a clause that allowed the School to request additional services (i.e., parking, data services, etc.) for an additional fee. The lease was originally scheduled to terminate on October 31, 2017; however, the original lease was renewed for an additional term (one year). At the maturity of this extension, the School entered into an additional agreement to lease the property for an additional two years. The base lease payments under this agreement are \$6,750 per month. The lease is scheduled to terminate on August 31, 2020.

Bridge Satellite Office Space

The School leased office space for administrative purposes under a ten-month lease agreement commencing October 9, 2017. Lease payments under the lease were \$1,200 per month. The lease terminated on July 31, 2018.

Innovation Satellite Office Space

The School leased office space for administrative purposes under an eleven-month lease agreement commencing November 11, 2017. Lease payments under the lease were \$1,350 per month. The lease terminated on September 30, 2018.

Innovation Campus Property

The School sub-leased one of its educational premises under a seven-year lease agreement with the School's management company commencing on July 1, 2018. The lease includes an escalation clause for rental increases every twelve months. The lease payments will be recognized on a straight-line basis at \$153,564 per month. The lease is scheduled to terminate on June 30, 2025.

Bridge Campus Property

The School leased one of its educational premises under a 25-year lease agreement with the School's management company commencing on July 30, 2018. Lease payments under the lease are \$48,044 per month. The lease is scheduled to terminate on July 30, 2043.

NOTE 6 – OPERATING LEASES (CONTINUED)

Student Transportation (Bus)

The School leased several school buses for student transportation purposes under an 84-month lease agreement commencing August 1, 2018. Lease payments under the lease are \$10,041 per month. The lease is scheduled to terminate on July 30, 2024.

Administrative Transportation (Van)

The School leased several vans for administrative transport purposes under an 84-month lease agreement commencing July 1, 2018. Lease payments under the lease are \$930 per month. The lease is scheduled to terminate on July 30, 2024.

Office Equipment

The School leased several pieces of office equipment for administrative purposes under a 36-month lease agreement commencing July 1, 2018. Lease payments under the lease are \$6,660 per month. The lease is scheduled to terminate on July 30, 2024.

IT Equipment

The School leased several pieces of IT equipment for administrative purposes under a 42-month lease agreement commencing July 1, 2018. Lease payments under the lease are \$3,580 per month. The lease is scheduled to terminate on February 28, 2022.

As of June 30, 2019, future lease payments on long-term noncancelable operating leases are as follows:

Years ending June 30:	
2020	\$ 2,424,865
2021	2,613,589
2022	2,892,769
2023	2,817,423
2024	2,859,075
Thereafter	11,754,238
Total	\$ 25,361,959

As of June 30, 2019 and 2018, the rental expense for the School was \$2,777,559 and \$89,801, respectively.



**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – CONTRIBUTION RECEIVABLE

There was no concentration for the year ended June 30, 2019. The School's revenue related to the private donor was approximately 78% of total revenues for the year ended June 30, 2018. There were no receivables at June 30, 2019. The School had receivables totaling \$1,340,000 from this donor at June 30, 2018.

NOTE 8 – MANAGEMENT COMPANY

The School has a contract for certain management and administrative services which is based on 15 percent of revenues. Also, the management company will pay for certain direct expenses for which the School will reimburse the management company. For the years ended June 30, 2019 and 2018, \$2,040,317 and \$577,442, respectively, were incurred for management and administrative services. For the years ended June 30, 2019 and 2018, \$8,279,940 and \$2,538,369, respectively was incurred for reimbursable direct expenses consisting of contracted employees, occupancy/rent, insurance, supplies, travel, and other costs for the direct benefit of the School. At June 30, 2019 and 2018, the School had \$2,656,286 and \$2,058,904 in payable to the management company for direct expenses, respectively.

NOTE 9 – DUE FROM SUBRECIPIENT GRANTOR

The School acts as a subrecipient for several of its grant awards. At June 30, 2019 and 2018, the School had \$212,490 and \$846,195, respectively, due from grantors under this subrecipient relationship.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The School has \$1,331,803 of financial assets available within one year of the statement of financial position dated June 30, 2019 which includes cash and cash equivalents of \$306,901 and receivables of \$1,024,902. Cash balances of \$13,510 are subject to donor restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

As this is the School's first year of operations (as noted in Note 1), management does not believe the current deficit in net assets raises doubt regarding the entity's ability to continue as a going concern. Management's plan to overcome this deficit includes continued receipt of grant funds and continuing their flexible payment plan with the management company to reduce the outstanding liability balance.

Management believes it has appropriate available financial resources.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.



Supplementary Information

**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Kenneth Campbell, Executive Director

PURPOSE	AMOUNT
Contracted Salary	\$ 184,320
Contracted Benefits-health insurance	4,663
Contracted Benefits-retirement	6,662
Contracted Deferred compensation	-
Contracted Workers comp	84
Contracted Benefits-life insurance	-
Contracted Benefits-long term disability	-
Contracted Benefits-FICA and Medicare	10,849
Car allowance	5,900
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	568
Per diem	651
Reimbursements	70
Travel	1,379
Registration fees	50
Conference travel	6,748
Unvouchered expenses	-
Meetings and conventions	1,886
Other	4,090
Total	\$ 227,921

See independent auditors' report.

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

Board of Directors
IDEA Public Schools Louisiana, Inc.
Baton Rouge, 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 IDEA Public Schools Louisiana, Inc. (a nonprofit organization) (the School), 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 financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

December 19, 2019



Carr, Riggs & Ingram, LLC
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Metairie, Louisiana 70005

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

Board of Directors
IDEA Public Schools Louisiana, Inc.
New Orleans, Louisiana

Report on Compliance for Each of the Major Federal Programs

We have audited IDEA Public Schools Louisiana, Inc.'s (a nonprofit organization) (the School) 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 School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, the 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 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 School's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Carly Riggs & Ingram, L.L.C.

December 19, 2019

**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amount Passed through to subrecipient</u>	<u>Total Federal Expenditures</u>
Department of Agriculture					
<i>Child Nutrition Cluster - Cluster</i>					
School Breakfast Program	10.553		\$ 218,766	\$ -	\$ 218,766
National School Lunch Program	10.555		417,884	-	417,884
Summer Food Service Program for Children	10.559		3,959	-	3,959
Total Child Nutrition Cluster-Cluster			640,609	-	640,609
<i>Other Programs</i>					
Child and Adult Care Food Program	10.558		389,082	-	389,082
Total Department of Agriculture			1,029,691	-	1,029,691
Department of Education					
<i>Other Programs</i>					
Title I Grants to Local Educational Agencies	84.010		205,852	-	205,852
Charter School Program Grant	84.282	U282M160009	1,922,007	-	1,922,007
Total Department of Education			2,127,859	-	2,127,859
Total Expenditures of Federal Awards					\$ 3,157,550

See independent auditors' report and the accompanying notes to the schedule of expenditures of federal awards.



IDEA PUBLIC SCHOOLS LOUISIANA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of the School as defined in Note 1 to the School's basic financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The School elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in the School's basic financial statements as program revenues.

NOTE 4: LOAN

The School did not expend federal awards related to loans or loan guarantees during the year.

NOTE 5: FEDERALLY FUNDED INSURANCE

The School has no federally funded insurance.

NOTE 6: NONCASH ASSISTANCE

The School did not receive any federal noncash assistance for the fiscal year ended June 30, 2019.

**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards

- | | |
|---|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | None noted |

4. Identification of the major programs:

Name of Federal Award (or Cluster)	CFDA No.
Child Nutrition Cluster	10.553/10.555/10.559
Charter School Program Grant	84.282

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | No |



**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II – FINDINGS RELATED TO FINANCIAL STATEMENTS COMPLIANCE

None noted.

III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None noted.

IV – MANAGEMENT LETTER

None issued.



**IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

II – FINDINGS RELATED TO FINANCIAL STATEMENTS COMPLIANCE

None noted.

III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None noted.

IV – MANAGEMENT LETTER

None issued.

IDEA PUBLIC SCHOOLS LOUISIANA, INC.

BESE AGREED-UPON PROCEDURES REPORT

June 30, 2019



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INGRAM

CPAs and Advisors

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

To the Board of Directors,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor:

We have performed the procedures included in the *Louisiana Governmental Audit Guide* enumerated below, which were agreed to by the management of IDEA Public Schools Louisiana, Inc. (a nonprofit organization), (the 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 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 I. Management of the School is responsible for the 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.

Our procedures and results related to the accompanying schedules of supplementary information and are as follows:

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

1. We will select a sample of 25 transactions, review supporting documentation, and observe that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Results: No exceptions were found as a result of applying the procedure.

Class Size Characteristics (Schedule 2)

2. We will obtain a list of classes by school, school type, and class size as report on the schedule. We will then trace a sample of 10 classes to the October 1st roll books for those classes and observe that the class was properly classified on the schedule.

Results: No exceptions were found as a result of applying the procedure.

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

3. We will obtain 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 obtain management's representation that the data/listing is complete. We will then select a sample of 25 individuals, trace 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.

Results: Exceptions noted; 3 of the 25 selected individuals' education levels per the October 1st PEP Report was not properly classified. Exceptions noted; 5 of the 25 selected individuals' experience per the October 1st PEP Report was not properly classified.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We will obtain 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 obtain management's representation that the data/listing is complete. We will then select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's salary, extra compensation, and full-time equivalents is properly included on the PEP data (or equivalent listing prepared by management).

Results: 3 of the 25 selected individuals' salaries per the June 30th PEP Report were not properly included.

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 IDEA Public Schools Louisiana, as required by Louisiana Revised Statute 24:514.I, 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.

Carly Riggs & Ingram, L.L.C.

December 19, 2019

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE 1

**GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2019**

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 2,883,655	
Other instructional staff activities	8,910	
Instructional Staff Employee benefits	576,676	
Purchased professional and technical services	572,074	
Instructional materials and supplies	368,153	
Less instructional equipment	-	
Total teacher and student interaction activities	4,409,469	

Other instructional activities	65,343
--------------------------------	--------

Pupil support activities	460,023
Less equipment for pupil support activities	-
Net pupil support activities	460,023

Instructional Staff Services	422,462
Less equipment for instructional staff services	-
Net instructional staff services	422,462

School Administration	1,221,265
Less: Equipment for School Administration	-
Net School Administration	1,221,265

Total general fund instructional expenditures	\$ 6,578,562
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See independent accountants' report on applying Agreed-Upon Procedures.

IDEA PUBLIC SCHOOLS LOUISIANA, INC.
SCHEDULE 2

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	2%	6	56%	180	13%	40	-	-
Elementary Activity Classes	0%	1	4%	13	2%	5	-	-
Middle/Jr. High	4%	14	9%	30	7%	22	-	-
Middle/Jr. High Activity Classes	1%	4	1%	2	1%	2	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See independent accountants' report on applying Agreed-Upon Procedures.



IDEA Louisiana Headquarters
804 Main Street
Baton Rouge, Louisiana 70802
(225) 571-5910

December 19, 2019

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to
Board of Elementary and Secondary Education Agreed-Upon Procedures
IDEA Public Schools Louisiana, Inc.

Dear Sirs:

IDEA Public Schools Louisiana, Inc., will review policies and procedures in regard to the comments for each schedule of performance and statistical data. We will make appropriate changes to improve reporting on each schedule of performance and statistical data that are cost effective and within our budget constraints.

Sincerely,

A handwritten signature in blue ink that reads "Travis Markey".

Travis Markey
Director of Finance

IDEA PUBLIC SCHOOLS LOUISIANA, INC.

AGREED-UPON PROCEDURES REPORT

June 30, 2019



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INGRAM

CPAs and Advisors

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
IDEA Public Schools Louisiana, Inc.
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of IDEA Public Schools Louisiana, Inc. (the School) 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 School 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 results are as follows:

Written Policies and Procedures

1. Obtain and inspect the School's written policies and procedures and observe that they address each of the following categories and subcategories:

- a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Results: No exceptions were found as a result of applying this procedure.

- b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: Exception noted; the School's written policies and procedures did not address element 4 as noted above.

- c. **Disbursements**, including processing, reviewing, and approving

Results: No exceptions were found as a result of applying this procedure.

- d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund addition (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: No exceptions were found as a result of applying this procedure.

- e. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: Exceptions noted; the School's written policies and procedures did not address elements 2, 3, and 5 as noted above.

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

Results: No exceptions were found as a result of applying this procedure.

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

Results: No exceptions were found as a result of applying this procedure.

- h. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Results: Exceptions noted; the School's written policies and procedures did not address elements 1 and 4 as noted above.

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

Results: Exceptions noted; the School's written policies and procedures did not address elements 1, 2, 3, 4, 5, and 6 as noted above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly.

Results: Exceptions noted; the board/finance committee did not meet two months out of the fiscal year, and one month the board/finance committee did not meet with a quorum.

- b. Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain a listing of the School's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the School's main operating account. Select the School'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 selected each account, and observe that:

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

Results: No exceptions were found as a result of applying the procedure. Three (3) bank accounts were selected.

- 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

Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

Collections (excluding EFTs)

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

Results: No exceptions were found as a result of applying the procedure. Two (2) deposit sites were selected.

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

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

Results: Exception noted; the School had no policies or procedures pertaining to employees that are responsible for cash collections do not share cash drawers/registers.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were found as a result of applying the procedure.

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

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

Results: Exception noted; there were no sequentially pre-number receipts for 2 of 6 deposits.

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

Results: Exception noted; there were no sequentially pre-numbered receipts, system reports, and other related collection documentation for 2 of 6 deposits.

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

Results: No exceptions were found as a result of applying the procedure.

- d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Results: Exceptions noted; of the 6 deposits selected, none were deposited within one business day of the receipt at the collection location.

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

Results: No exceptions were found as a result of applying the procedure.

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

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

Results: No exceptions were found as a result of applying the procedure. One (1) location was selected.

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

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: Exception noted; the accounts payable clerk is responsible for both processing the payments and mailing out the checks.

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

- a) Observe that the disbursement matched the related original invoice/billing statement.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

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

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

Results: No exceptions were found as a result of applying the procedure. Management's listing contained eleven (11) cards.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Results: Exceptions noted; for 20 out of the 48 transactions selected, there was no evidence that the monthly or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

Results: No exceptions were found as a result of applying the procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: Exceptions noted; for 4 of the 48 transactions selected, there was no original itemized receipt identifying what was purchased. For one (1) of the 48 transactions selected, there was no written documentation of the business/public purpose.

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

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

a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: Exceptions noted; for 4 of the 5 reimbursements selected, there was no written evidence of review and approval by someone other than the person receiving the reimbursement.

Contracts

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

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

Ethics

16. Randomly select five (5) employees/officials, obtain ethics compliance documentation from management and:

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

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

Other

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

Results: Management represented that there was no known misappropriation of public funds during the fiscal period; therefore, this procedure is not applicable.

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

Results: Exception noted; there was no notice noted on the School's website.

We were not engaged to and did not perform 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 procedures performed on the C/C areas identified in the SAUPs, and the result of the procedures performed, 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.

Cam, Riggs & Ingram, L.L.C.

December 19, 2019



IDEA Louisiana Headquarters
804 Main Street
Baton Rouge, Louisiana 70802
(225) 571-5910

December 19, 2019

Louisiana Legislative Auditor

1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Statewide Agreed-Upon Procedures
IDEA Public Schools Louisiana, Inc.

Dear Sirs:

IDEA Public Schools Louisiana, Inc. will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints.

Sincerely,

A handwritten signature in blue ink that reads "Travis Markey".

Travis Markey
Chief Financial Officer