

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

Annual Financial Statements

June 30, 2018



Contents

Independent Auditor's Report	1 - 2
-------------------------------------	-------

Financial Statements

Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

Independent Accountant's Report on Applying Agreed-Upon Procedures	12 - 15
---	---------

Schedules Required by Louisiana State Law (R.S. 24:514 - Performance and Statistical Data)	16
---	----

	Schedule	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	17
Education Levels of Public School Staff	2	18
Number and Type of Public Schools	3	19
Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers	4	20
Public School Staff Data	5	21
Class Size Characteristics	6	22
Louisiana Educational Assessment Program (LEAP) - ELA & Math	7	23 - 24
Graduation Exit Exam	8	25
LEAP Tests - Science & Social Studies	9	26 - 27

Supplementary Information

Schedule of Board of Directors	29
Schedules of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	30 - 31
Schedule of Financial Position by School	32
Schedule of Activities by School	33 - 34

Contents (Continued)

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>	35 - 36
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	37 - 38
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41
Schedule of Prior Year Findings and Questioned Costs	42

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
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, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the dated financial statements (collectively, 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.

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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, 2018, 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 condition 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 through 9, 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 October 8, 2018, 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 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 Einstein's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
October 8, 2018

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2018**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,483,191
Grants Receivable	<u>582,834</u>
Total Current Assets	<u>5,066,025</u>
Fixed Assets	
Furniture and Equipment	388,750
Accumulated Depreciation	<u>(371,262)</u>
Total Fixed Assets, Net	<u>17,488</u>
Total Assets	<u>\$ 5,083,513</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 889,418
Accrued Liabilities	<u>982,991</u>
Total Current Liabilities	<u>1,872,409</u>
Net Assets	
Unrestricted	<u>3,211,104</u>
Total Net Assets	<u>3,211,104</u>
Total Liabilities and Net Assets	<u>\$ 5,083,513</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
For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
Revenue, Grants, and Other Support			
State Public School Funding	\$ 12,444,348	\$ -	\$ 12,444,348
Federal Grants			
Grants for Education	3,244,336	-	3,244,336
School Food Service Revenue	1,057,099	-	1,057,099
Other Grants and Contributions	770,128	-	770,128
Total Revenue, Grants, and Other Support	17,515,911	-	17,515,911
Expenses			
Program Services			
Regular Education Programs	7,917,346	-	7,917,346
Special Education Programs	1,272,473	-	1,272,473
Career and Technical Education Programs	277,806	-	277,806
Special Programs	740,973	-	740,973
Other Instructional Programs	1,158,798	-	1,158,798
Pupil Support Services	634,997	-	634,997
Instructional Staff Services	851,938	-	851,938
School Administration	2,216,995	-	2,216,995
Operation and Maintenance	1,686,535	-	1,686,535
Student Transportation Services	217,999	-	217,999
Food Service	881,211	-	881,211
Depreciation	26,216	-	26,216
Management and General			
General Administration	476,581	-	476,581
Business Services	454,243	-	454,243
Central Services	851,328	-	851,328
Other	9,573	-	9,573
Total Expenses	19,675,012	-	19,675,012
Change in Net Assets	(2,159,101)	-	(2,159,101)
Net Assets, Beginning of Year	5,370,205	-	5,370,205
Net Assets, End of Year	\$ 3,211,104	\$ -	\$ 3,211,104

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018**

Cash Flows from Operating Activities	
Change in Net Assets	\$ (2,159,101)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	26,216
Decrease in Grants Receivable	1,527,414
Increase in Accrued Liabilities	139,100
Increase in Accounts Payable	<u>880,981</u>
Total Adjustments	<u>2,573,711</u>
Net Cash Provided by Operating Activities	<u>414,610</u>
Net Increase in Cash and Cash Equivalents	414,610
Cash and Cash Equivalents, Beginning of Year	<u>4,068,581</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,483,191</u></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 Consolidated 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 the School'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 5 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.

Financial Statement Presentation

Einstein follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Einstein is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, Einstein is required to present a statement of cash flows.

Einstein also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Notes to Consolidated 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 School Funding which made up 71% of its funding. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

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.

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.

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 71% of its revenues in the year ended June 30, 2018 from the State Public School Funding subject to its charter school contract, and 25% 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.

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

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Einstein is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, 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. Einstein is evaluating the impact that ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. The new standard is effective for fiscal periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Einstein is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Note 2. Cash and Cash Equivalents

Einstein's cash and cash equivalents (book balances) at June 30, 2018, were \$3,784,991, which are stated at cost and approximate market.

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

Notes to Consolidated Financial Statements

Note 3. Restriction on Assets

Temporarily restricted net assets 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. None of the temporarily restricted net assets are time-restricted by donors. At June 30, 2018, Einstein had no temporarily restricted net assets.

Note 4. Grants Receivable

As of June 30, 2018, grants receivable totaled \$582,834, 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, 2018, was \$26,216. 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, 2018, Einstein has recorded accrued liabilities of \$982,991. The entire amount is for employee salaries and other related employee benefits.

Note 7. Line of Credit

Einstein had a \$500,000 unsecured line of credit with a 3.25% interest rate that expired June 22, 2018. There were no borrowings outstanding against the line of credit at June 30, 2018.

Note 8. 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.

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

Notes to Consolidated Financial Statements

Note 8. 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, 2017, the TRSL was 65.6% 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, 2018, the employer contribution rate was 25.5%. 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, 2018, 2017, and 2016, was \$2,701,436, \$2,323,350, and \$1,847,613, respectively, which was equal to the required contribution.

Note 9. 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 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 8, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date 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.
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of 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 The Einstein Group, Inc. for the fiscal year ended June 30, 2018, 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 The Einstein Group, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

None

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to school supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) - ELA & Math (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by Einstein.

Findings:

None

Graduation Exit Exam (Schedule 8)

11. The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.

LEAP Tests - Science & Social Studies (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by Einstein.

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 The Einstein Group, Inc., as required by Louisiana Revised Statute 24:514.1, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
October 8, 2018

THE EINSTEIN GROUP, INC.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2018

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 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - 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.

Schedule 7 - Louisiana Educational Assessment Program (LEAP) - ELA & Math

This schedule represents student performance testing data and includes summary scores by district for grades 3 through 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 - Graduation Exit Exam

Not applicable.

Schedule 9 - LEAP Tests - Science & Social Studies

This schedule represents student performance testing data and includes a summary scores for grades 3 through 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities			
Classroom Teacher Salaries	\$	4,141,542	
Other Instructional Staff Salaries		659,408	
Instructional Staff Employee Benefits		2,594,981	
Purchased Professional and Technical Services		275,326	
Instructional Materials and Supplies		751,734	
Instructional Equipment		574	
		<u>574</u>	
Total Teacher and Student Interaction Activities			\$ 8,423,565
Other Instructional Activities			18,012
Pupil Support Services		534,547	
Less: Equipment for Pupil Support Services		<u>-</u>	
Net Pupil Support Services			534,547
Instructional Staff Services		727,123	
Less: Equipment for Instructional Staff Services		<u>-</u>	
Net Instructional Staff Services			727,123
School Administration		2,202,346	
Less: Equipment for School Administration		<u>-</u>	
Net School Administration			2,202,346
Total General Fund Instructional Expenditures			<u>\$ 11,905,593</u>
Total General Fund Equipment Expenditures			<u>\$ 574</u>

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

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2017

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	55	67%	44	74%	3	60%	2	100%
Master's Degree	23	28%	14	24%	2	40%	0	0%
Master's Degree +30	4	5%	1	2%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	0	0%	0	0%	0	0%	0	0%
Total	82	100%	59	100%	5	100%	2	100%

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

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2018**

Schedule 3

Type	Number
Elementary	2
Middle/Jr. High	1
High	1

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals,
and Full Time Classroom Teachers
As of October 1, 2017

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 -10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Principals	1		1	1	1			4
Assistant Principals		1	1				1	3
Classroom Teachers	38	24	42	9	17	5	6	141
Total	39	25	44	10	18	5	7	148

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

**THE EINSTEIN GROUP, INC.
 NEW ORLEANS, LOUISIANA
 Public School Staff Data
 For the Year Ended June 30, 2018**

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$40,547	\$40,547
Average Classroom Teachers Salary Excluding Extra Compensation	\$40,547	\$40,547
Number of Teacher Full Time Equivalent (FTEs) Used in Computation of Average Salaries	141.00	141.00

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

THE EINSTEIN GROUP, INC.
 NEW ORLEANS, LOUISIANA
 Class Size Characteristics
 As of October 1, 2017

Schedule 6

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	29%	12	68%	28	2%	1	0%	0
Middle/Jr. High	38%	6	38%	6	24%	4	0%	0
High	67%	8	33%	4	0%	0	0%	0

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP) - ELA & Math
For the Year Ended June 30, 2018

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	9%	1%	0%	4%	3%	2%
Mastery	34%	27%	14%	30%	21%	11%
Basic	26%	36%	24%	25%	31%	37%
Approaching Basic	17%	18%	30%	21%	24%	32%
Unsatisfactory	14%	18%	32%	20%	21%	18%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	4%	1%	1%	0%	0%
Mastery	28%	24%	31%	19%	12%	10%
Basic	28%	30%	29%	28%	27%	37%
Approaching Basic	25%	25%	20%	29%	43%	35%
Unsatisfactory	15%	17%	19%	23%	18%	18%
Total	100%	100%	n/a	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	2%	5%	1%	3%	2%
Mastery	24%	28%	41%	9%	13%	10%
Basic	30%	35%	22%	23%	33%	43%
Approaching Basic	26%	23%	23%	44%	30%	25%
Unsatisfactory	19%	12%	9%	23%	21%	20%
Total	100%	100%	100%	100%	100%	100%

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP) - ELA & Math (Continued)
For the Year Ended June 30, 2018

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	3%	3%	2%	4%	3%
Mastery	22%	20%	29%	17%	22%	9%
Basic	29%	30%	32%	29%	34%	43%
Approaching Basic	30%	30%	25%	39%	24%	27%
Unsatisfactory	15%	17%	11%	13%	16%	18%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	9%	6%	7%	2%	0%	2%
Mastery	30%	24%	31%	12%	15%	16%
Basic	19%	24%	30%	40%	35%	38%
Approaching Basic	23%	22%	12%	36%	38%	23%
Unsatisfactory	19%	24%	20%	10%	12%	21%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2018	2017	2016	2018	2017	2016
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	8%	11%	10%	1%	4%	3%
Mastery	38%	37%	39%	19%	26%	8%
Basic	26%	23%	24%	29%	19%	44%
Approaching Basic	16%	16%	15%	27%	31%	23%
Unsatisfactory	12%	13%	12%	24%	20%	22%
Total	100%	100%	100%	100%	100%	100%

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

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
LEAP Tests - Science & Social Studies
For the Year Ended June 30, 2018

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	1%	4%	4%	N/A	N/A
Mastery	N/A	6%	24%	13%	N/A	N/A
Basic	N/A	46%	33%	22%	N/A	N/A
Approaching Basic	N/A	27%	19%	29%	N/A	N/A
Unsatisfactory	N/A	20%	20%	32%	N/A	N/A
Total	N/A	100%	100%	100%	N/A	N/A

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	1%	3%	1%	N/A	N/A
Mastery	N/A	9%	19%	11%	N/A	N/A
Basic	N/A	41%	27%	24%	N/A	N/A
Approaching Basic	N/A	31%	35%	28%	N/A	N/A
Unsatisfactory	N/A	18%	16%	36%	N/A	N/A
Total	N/A	100%	n/a	100%	N/A	N/A

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	1%	6%	1%	N/A	N/A
Mastery	N/A	10%	18%	7%	N/A	N/A
Basic	N/A	39%	42%	16%	N/A	N/A
Approaching Basic	N/A	30%	22%	31%	N/A	N/A
Unsatisfactory	N/A	20%	12%	45%	N/A	N/A
Total	N/A	100%	100%	100%	N/A	N/A

The LEAP was not administered for Social Studies for the 2015-2016 and 2016-2017 school years.

The LEAP was not administered for Science for the 2017-2018 school year.

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
LEAP Tests - Science & Social Studies (Continued)
For the Year Ended June 30, 2018

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	1%	1%	4%	N/A	N/A
Mastery	N/A	15%	11%	13%	N/A	N/A
Basic	N/A	43%	29%	25%	N/A	N/A
Approaching Basic	N/A	28%	37%	32%	N/A	N/A
Unsatisfactory	N/A	13%	22%	26%	N/A	N/A
Total	N/A	100%	100%	100%	N/A	N/A

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	1%	1%	12%	N/A	5%
Mastery	N/A	13%	12%	20%	N/A	16%
Basic	N/A	35%	35%	20%	N/A	42%
Approaching Basic	N/A	31%	43%	18%	N/A	24%
Unsatisfactory	N/A	20%	9%	30%	N/A	13%
Total	N/A	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2018	2017	2016	2018	2017	2016
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	N/A	3%	6%	11%	N/A	N/A
Mastery	N/A	7%	27%	23%	N/A	N/A
Basic	N/A	49%	30%	22%	N/A	N/A
Approaching Basic	N/A	20%	21%	26%	N/A	N/A
Unsatisfactory	N/A	21%	16%	18%	N/A	N/A
Total	N/A	100%	n/a	100%	N/A	N/A

The LEAP was not administered for Social Studies for the 2015-2016 and 2016-2017 school years.

The LEAP was not administered for Science for the 2017-2018 school year.

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

SUPPLEMENTARY INFORMATION

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2018**

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-
John C. Bowman III 236 East 28 th Street Larose, LA 70373 (985) 696-5220	\$-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-
Sarah Dawkins 619 S. White Street New Orleans, LA 70119 (504) 822-2414	\$-0-

See independent auditor's report.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedules of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2018**

Agency Head

Shawn Toranto, CEO (7/1/2017 to 4/3/2018)

Purpose	Amount
Salary	\$175,854
Benefits - Insurance	\$4,479
Benefits - Retirement	\$46,919
Benefits - PTO and Vacation Hours	\$535
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$210
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.
NEW ORLEANS, LOUISIANA
Schedules of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer (Continued)
For the Year Ended June 30, 2018

Agency Head

Dan Davis, CEO (4/2/2018 to 6/30/2018)

Purpose	Amount
Salary	\$38,712
Benefits - Insurance	\$1,433
Benefits - Retirement	\$10,617
Benefits - PTO and Vacation Hours	\$1,201
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$1,045
Travel	\$0
Registration Fees	\$0
Conference Travel	\$2,853
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Financial Position By School
For the Year Ended June 30, 2018

	Village D'Lest Charter School	Reed Middle Charter School	Reed High Charter School	Sherwood Forest Charter School	Eliminations	Total
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 1,805,576	\$ 844,584	\$ -	\$ 1,833,031	\$ -	\$ 4,483,191
Grants Receivable	171,298	102,954	38,020	270,562	-	582,834
Total Current Assets	1,976,874	947,538	38,020	2,103,593	-	5,066,025
Property and Equipment						
Furniture, Fixtures, and Equipment	305,402	-	-	83,348	-	388,750
Less: Accumulated Depreciation	(293,470)	-	-	(77,792)	-	(371,262)
Net Property and Equipment	11,932	-	-	5,556	-	17,488
Total Assets	\$ 1,988,806	\$ 947,538	\$ 38,020	\$ 2,109,149	\$ -	\$ 5,083,513
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 68,309	\$ 33,334	\$ 727,977	\$ 59,798	\$ -	889,418
Accrued Liabilities	296,016	229,320	146,449	311,206	-	982,991
Total Current Liabilities	364,325	262,654	874,426	371,004	-	1,872,409
Net Assets						
Unrestricted	1,624,481	684,884	(836,406)	1,738,145	-	3,211,104
Total Net Assets	1,624,481	684,884	(836,406)	1,738,145	-	3,211,104
Total Liabilities and Net Assets	\$ 1,988,806	\$ 947,538	\$ 38,020	\$ 2,109,149	\$ -	\$ 5,083,513

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Activities By School
For the Year Ended June 3018

	Village D'Lest Charter School			Reed Middle Charter School			Reed High Charter School		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue									
State and Local Public School Funding	\$ 3,725,405	\$ -	\$ 3,725,405	\$ 3,269,789	\$ -	\$ 3,269,789	\$ 1,622,728	\$ -	\$ 1,622,728
Federal Grants									
Grants for Education	328,871	-	328,871	246,402	-	246,402	107,431	-	107,431
School Food Service Revenue	1,065,075	-	1,065,075	741,179	-	741,179	329,285	-	329,285
Other Grants and Contributions	386,797	-	386,797	76,633	-	76,633	86,921	-	86,921
Total Support and Revenue	5,506,148	-	5,506,148	4,334,003	-	4,334,003	2,146,365	-	2,146,365
Expenses									
Program Services									
Regular Education Programs	2,289,968	-	2,289,968	2,259,222	-	2,259,222	1,274,785	-	1,274,785
Special Education Programs	325,334	-	325,334	264,094	-	264,094	217,808	-	217,808
Career and Technical Education Programs	-	-	-	-	-	-	277,806	-	277,806
Special Programs	324,326	-	324,326	-	-	-	-	-	-
Other Instructional Programs	389,736	-	389,736	340,933	-	340,933	78,491	-	78,491
Pupil Support Services	193,631	-	193,631	188,943	-	188,943	102,826	-	102,826
Instructional Staff Services	213,316	-	213,316	296,376	-	296,376	135,913	-	135,913
School Administration	629,378	-	629,378	520,503	-	520,503	425,268	-	425,268
Operation and Maintenance	573,691	-	573,691	474,503	-	474,503	183,101	-	183,101
Student Transportation Services	53,506	-	53,506	67,057	-	67,057	31,960	-	31,960
Food Service	260,574	-	260,574	210,797	-	210,797	90,223	-	90,223
Depreciation	20,659	-	20,659	-	-	-	-	-	-
Management and General									
General Administration	182,855	-	182,855	66,977	-	66,977	41,414	-	41,414
Business Services	49,736	-	49,736	42,777	-	42,777	251,712	-	251,712
Central Services	356,490	-	356,490	190,213	-	190,213	167,900	-	167,900
Arkansas	9,573	-	9,573	-	-	-	-	-	-
Total Expenses	5,872,773	-	5,872,773	4,922,395	-	4,922,395	3,279,207	-	3,279,207
Change in Net Assets	(366,625)	-	(366,625)	(588,392)	-	(588,392)	(1,132,842)	-	(1,132,842)
Net Assets, Beginning of Year	1,991,106	-	1,991,106	1,273,276	-	1,273,276	296,436	-	296,436
Net Assets, End of Year	\$ 1,624,481	\$ -	\$ 1,624,481	\$ 684,884	\$ -	\$ 684,884	\$ (836,406)	\$ -	\$ (836,406)

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Consolidating Statement of Activities (Continued)
For the Year Ended June 3018

	Sherwood Forest Charter School			Eliminating			Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue									
State and Local Public School Funding	\$ 3,826,426	\$ -	\$ 3,826,426	\$ -	\$ -	\$ -	\$ 12,444,348	\$ -	\$ 12,444,348
Federal Grants									
Grants for Education	374,395	-	374,395	-	-	-	1,057,099	-	1,057,099
School Food Service Revenue	1,108,797	-	1,108,797	-	-	-	3,244,336	-	3,244,336
Other Grants and Contributions	219,777	-	219,777	-	-	-	770,128	-	770,128
Total Support and Revenue	5,529,395	-	5,529,395	-	-	-	17,515,911	-	17,515,911
Expenses									
Program Services									
Regular Education Programs	2,093,371	-	2,093,371	-	-	-	7,917,346	-	7,917,346
Special Education Programs	465,237	-	465,237	-	-	-	1,272,473	-	1,272,473
Career and Technical Education Programs	-	-	-	-	-	-	277,806	-	277,806
Special Programs	416,647	-	416,647	-	-	-	740,973	-	740,973
Other Instructional Programs	349,638	-	349,638	-	-	-	1,158,798	-	1,158,798
Pupil Support Services	149,597	-	149,597	-	-	-	634,997	-	634,997
Instructional Staff Services	206,333	-	206,333	-	-	-	851,938	-	851,938
School Administration	641,846	-	641,846	-	-	-	2,216,995	-	2,216,995
Operation and Maintenance	455,240	-	455,240	-	-	-	1,686,535	-	1,686,535
Student Transportation Services	65,476	-	65,476	-	-	-	217,999	-	217,999
Food Service	319,617	-	319,617	-	-	-	881,211	-	881,211
Depreciation	5,557	-	5,557	-	-	-	26,216	-	26,216
Management and General									
General Administration	185,335	-	185,335	-	-	-	476,581	-	476,581
Business Services	110,018	-	110,018	-	-	-	454,243	-	454,243
Central Services	136,725	-	136,725	-	-	-	851,328	-	851,328
Arkansas	-	-	-	-	-	-	9,573	-	9,573
Total Expenses	5,600,637	-	5,600,637	-	-	-	19,675,012	-	19,675,012
Change in Net Assets	(71,242)	-	(71,242)	-	-	-	(2,159,101)	-	(2,159,101)
Net Assets, Beginning of Year	1,809,387	-	1,809,387	-	-	-	5,370,205	-	5,370,205
Net Assets, End of Year	\$ 1,738,145	\$ -	\$ 1,738,145	\$ -	\$ -	\$ -	\$ 3,211,104	\$ -	\$ 3,211,104

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.
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, 2018, and the related notes to the financial statements, which collectively comprise Einstein's basic financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Einstein'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 consolidated 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 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 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 "LaPorte".

A Professional Accounting Corporation

Covington, LA
October 8, 2018

**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.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited The Einstein Group, Inc., d/b/a Einstein Charter School's (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, 2018. 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, 2018.

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
October 8, 2018

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	\$ 949,982
Total Child Nutrition Cluster		<u>949,982</u>
Child and Adult Care Food Program	10.558	<u>107,107</u>
Total United States Department of Agriculture		<u>1,057,089</u>
United States Department of Education		
Charter Schools	84.282	875,560
(Passed through the Louisiana Department of Education)		
Twenty-First Century Community Learning Centers	84.287	368,075
Title I Grants to Local Educational Agencies	84.010 *	950,018
Career and Technical Education - Basic Grants to States	84.048	48,000
Special Education Cluster		
Special Education Grants to States	84.027 *	347,077
Preschool Grants	84.173 *	4,832
School Climate Transformation Grant	84.184G	99,738
English Language Acquisition State Grants	84.365	65,669
Improving Teacher Quality State Grants	84.367	<u>104,626</u>
Total United States Department of Education		<u>2,863,595</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>275,092</u>
Total United States Department of Health and Human Services		<u>275,092</u>
United States Department of Transportation		
Highway Planning and Construction	20.205	<u>99,342</u>
Total United States Department of Transportation		<u>99,342</u>
Total Expenditures of Federal Awards		<u>\$ 4,295,118</u>

* Indicates major program.

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
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).

Note 3. Reconciliation

Grants for Education	\$ 3,244,336
School Food Service Revenue	1,057,099
Less revenues received for expenses in prior year	<u>(6,317)</u>
	<u>\$ 4,295,118</u>

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

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 | |
| 84.027 - Special Education Grants to States | |
| 84.173 - Preschool Grants | |
| 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.
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018**

None.

AGREED-UPON PROCEDURES REPORT

The Einstein Group, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2017 - June 30, 2018

To The Einstein Group, Inc. and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by The Einstein Group, Inc. (Einstein) 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 year July 1, 2017 through June 30, 2018. Einstein's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Bank Reconciliations

1. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: We obtained management's representation that the listing provided is complete.

2. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date;
 - b) Bank reconciliations include evidence that a member of management or a 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

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

- 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: For the accounts selected, bank reconciliations for the month of February were prepared within 2 months of the related statement closing date and included evidence that reconciliations were reviewed. Einstein contracts with a certified public accountant to prepare the monthly bank reconciliations. The bank reconciliations are then reviewed by the CFO, who is an authorized check signer. There were no checks that have been outstanding for more than 12 months from the statement closing date.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, 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 testing performed on those C/C areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Covington, LA
October 8, 2018