

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

TALMADGE E. MITCHEL
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION
1240 Milam Street,
Shreveport, LA 71101
Phone: (318) 675-1945
Fax: (318) 675-1947
E-mail: talmadge@temcpaapc.comcastbiz.net

Contents

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	24
SCHEDULE <u>OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO</u> AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	25
INDEPENDENT ACCOUNTANTS’ REPORT ON APPLYING AGREED-UPON PROCEDURES	26
SCHEDULES REQUIRED BY STATE LAW	28
(R.S. 24:514-PERFORMANCE AND STATISTICAL DATA)	28
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND	29
CERTAIN LOCAL REVENUE SOURCES-SCHEDULE I	29
CLASS SIZE CHARACTERISTICS –SCHEDULE 6	31
INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES	32

Talmadge E. Mitchell
Certified Public Accountant
A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Education Explosion, Inc.
d/b/a **Impact Charter Elementary School**
Baker, LA

Report on the Financial Statements

I have audited the accompanying financial statements of **Education Explosion, Inc. d/b/a Impact Charter Elementary School** (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements..

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Education Explosion, Inc. d/b/a Impact Charter Elementary School** (a nonprofit organization), as of June 30, 2019, and the related changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As described in Note 1 to the financial statements, Education Explosion, d/b/a Impact Charter Elementary School adopted Accounting Standards Update (“ASU”) 2016-4, *Not for Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for Profit Entities* which requires changes to be made in how net assets are classified based on Donor restrictions and has added multiple new disclosures. My opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly

stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data on pages 28 to 31, are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. I have applied certain limited procedures, which are described I the Independent Accountant's Report on applying Agree-Upon Procedures. However, I 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, I have also issued my report dated December 14, 2019, on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements, and other matters. The purpose of that report is to solely describe the scope of my 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.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
Shreveport, LA
December 14, 2019

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets	
Cash in banks	\$ 2,184,855
Accounts Receivable	180,631
Other Current Assets	
Inter-fund Accounts Receivable	153,153
Prepaid Expenses	11,995
Total Other Current Assets	165,148
Total Current Assets	2,530,634
Fixed Assets	
Building and Building Improvements	64,373
Less: Accumulation Depreciation Buildings	(2,307)
Machinery and Equipment	24,550
Less: Accumulated Depreciation M & E	(1,637)
Construction in Progress	79,394
Total Fixed Assets	164,373
TOTAL ASSETS	\$ 2,695,007

LIABILITIES AND NET ASSETS

Liabilities	
Current Liabilities	
Accounts Payable	\$ 120,641
Credit Card Payable	8,896
Inter-fund Accounts Payable	153,153
Accrued Salaries and Benefits Payable	82,312
Payroll Deductions Payable	121
Total Current Liabilities	365,123
Total Liabilities	365,123
Net Assets	
Net assets without donor restrictions	2,329,884
Total Net Assets	2,329,884
TOTAL LIABILITIES AND NET ASSETS	\$ 2,695,007

The accompanying notes are an integral part of these financial statements

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2019

	<u>Without Donor</u>	With	
	Restrictions	Donor	Total
		Restrictions	
Increase in Net Assets			
Revenues from Local Sources	\$ 1,831,473	\$ -	\$ 1,831,473
Revenues from State Sources	1,908,658	-	1,908,658
Revenue from Federal Sources	840,382	-	840,382
Other Sources of Funds	82,930	-	82,930
Total Increase in Net Assets	<u>4,663,443</u>	<u>-</u>	<u>4,663,443</u>
Decrease in Net Assets			
Program Services			
Regular Education	2,491,203		2,491,203
Federal Programs	851,008		851,008
Supporting Services			
Management and General	1,173,763		1,173,763
Total Decrease in Net Assets	<u>4,515,974</u>	<u>-</u>	<u>4,515,974</u>
Change in net assets	147,469	-	147,469
Net Asset June 30, 2018	2,114,381	-	2,114,381
Add: Prior Period Adjustments	68,034	-	68,034
Net Assets June 30, 2018 restated	<u>2,182,415</u>	<u>-</u>	<u>2,182,415</u>
Net Assets June 30, 2019	<u>\$ 2,329,884</u>	<u>\$ -</u>	<u>\$ 2,329,884</u>

The accompanying notes are an integral part of these financial statements

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2019

Description	Program Services			Supportive Services	
	Regular Educational Programs	Federal Programs	Total Program Services	Management and General	Total
Accounting, Auditing, & Legal	\$ -	\$ -	\$ -	\$ 82,841	\$ 82,841
Advertising	13,827	-	13,827	-	13,827
Benefits	162,584	24,508	187,092	83,500	270,592
Communication & Technology	79,883	500	80,383	6,798	87,181
Depreciation Expense	-	-	-	2,102	2,102
Dues & Fees	12,082	-	12,082	12,155	24,237
Educational & Professional Services	102,681	113,038	215,719	-	215,719
Equipment Rentals & Leases	2,149	-	2,149	15,359	17,508
Facility	752,017	-	752,017	1,547	753,564
Facility Improvements	55,850	-	55,850	-	55,850
Food Service	-	279,401	279,401	-	279,401
Insurance	3,094	-	3,094	40,111	43,205
Janitorial & Maintenance	-	-	-	105,978	105,978
Other Costs	-	55,392	55,392	-	55,392
Personnel Costs	1,080,092	219,526	1,299,618	433,455	1,733,073
Printing & Binding	5,535	-	5,535	481	6,016
Supplies	216,782	140,999	357,781	33,907	391,688
Taxes	-	-	-	44,025	44,025
Transportation	-	-	-	263,991	263,991
Travel	4,627	17,644	22,271	9,189	31,460
Utilities	-	-	-	38,324	38,324
	\$ 2,491,203	\$ 851,008	\$ 3,342,211	\$ 1,173,763	\$ 4,515,974

The accompanying notes are an integral part of these financial statements

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2019

OPERATING ACTIVITIES

Net Revenue	\$	147,469
Adjustments to reconcile Net Revenue to Net Cash provided by operations:		
Depreciation Expense		2,102
Accounts Receivable		10,870
Interfund Accounts Receivable		(153,153)
Prepaid Expenses		11,528
Accounts Payable		78,408
Credit Card Payable - Capital One		(428)
Interfund Accounts Payable		63,903
Accrued Salaries and Benefits Payable		(3,526)
Payroll Deductions Payable		(2,621)
Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:		7,083
Net cash provided by operating activities		154,552

INVESTING ACTIVITIES

Purchase of Portable Buildings (Construction-in-Progress)		(79,394)
Purchase of Kitchen Equipment		(8,524)
Net cash used by Investing Activities		(87,918)

FINANCING ACTIVITIES

Opening Fund Balance		(10,893)
Unassigned Fund Balance		-
Net cash used by financing activities		(10,893)
Net cash increase for period		55,741
Cash at beginning of period		2,129,114
Cash at end of period	\$	2,184,855

The accompanying notes are an integral part of these financial statements

EDUCATION EXPLOSION, INC.
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Education Explosion, Inc. d/b/a Impact Charter Elementary School (ICE), was incorporated on November 9, 2009, under the laws of the State of Louisiana, as a not-for-profit corporation.

Education Explosion, Inc. d/b/a Impact Charter Elementary School provides educational services, primarily in the target area of East Baton Rouge Parish, for the grades Pre-Kindergarten through the Fourth grade. The School is located at 4815 Lavey Lane, Baker, Louisiana. The Board of Directors is the intermediate authority and it consists of five members with the majority of the members domiciled in East Baton Rouge Parish. The members of the Board of Directors are appointed based on recommendations from the community and by the other members of the Board. The Charter School has a director who oversees and manages the daily operations of the School.

Education Explosion, Inc. d/b/a Impact Charter Elementary School operates under a charter school contract with the Louisiana State Board of Elementary Education (BESE), as a Type 2 public charter school. Under the contract, the school receives its Minimum Foundation Program (MFP) distributions through the Louisiana State Board of Elementary Education. The charter contract was renewed on June 24, 2019 and is effective for the period July 1, 2019 through June 30, 2022

Basis of Presentation

Under the Financial Accounting Standards Board (FASB) ASC 958-205, Education Explosion, Inc. d/b/a Impact Charter Elementary School recognizes MFP Funding received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 2019, Education Explosion, Inc. d/b/a Impact Charter Elementary School received no promises to give.

Adoption of FASB ASC 958-10-65-1 was made in the current fiscal year, accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

Net assets without donor restrictions – These are net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the school for specific purposes.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will

be met by actions of the School and/or the passage of time.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization is also exempt from Louisiana state income taxes.

The Organization has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance.

Receivables

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for bad debts, as management believes all remaining receivables are fully collectible.

Use of Estimates

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

Advertising

Advertising costs are charged to programs in the period in which the advertisement is placed. The Organization had \$13,827 in advertising costs for the period July 1, 2018 through June 30, 2019.

Compensated Absences

If an employee resigns, the employee will be paid for all annual leave time at a rate of \$7.50 per hour, only if a minimum of three years' service has been established. However, payments for earned leave may not exceed two days salary and no employee will be paid for annual leave upon termination prior to three years employment. Employees who are terminated, may not receive any pay for earned annual leave.

Budgetary Data

Education Explosion, Inc. d/b/a Impact Charter Elementary School formally adopts a budget. The budgetary data is submitted to BESE for approval.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Assets acquired with the following thresholds are capitalized:

Buildings	\$ 50,000
Building Improvements	\$ 50,000
Equipment	\$ 5,000
Vehicles	\$ 5,000

Any property and equipment acquired by the School is the property of the Charter School for the duration of the agreement and renewal of the agreement. If the agreement is terminated, revoked, not renewed, or surrendered, all assets and cash on hand attributable to state public funds shall be transferred to BESE or disposed of in accordance with Section 5.5 of the agreement.

Property and equipment consisted of the following at June 30, 2019:

	<u>Estimated Depreciable Life</u>	<u>Purchased with Federal Funds</u>	<u>Purchased with Non-Federal Funds</u>	<u>Total</u>
Equipment	15	- \$	24,550 \$	24,550
Construction-in-Progress	25	-	79,394	79,394
Building Improvements	35	-	64,373	64,373
Less: Accumulated Depreciation		-	(3,944)	(3,944)
Total		\$	<u>164,373</u> \$	<u>164,373</u>

Depreciation expense was \$2,102 for the year ended June 30, 2019

NOTE B: CASH IN BANK- CREDIT RISK

Financial instruments that potentially subject Education Explosion, Inc. d/b/a Impact Charter Elementary School, Inc. to credit risk consist principally of cash at financial institutions. Demand deposits, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances in the cash accounts in excess of FDIC insurance limits are insured by the Dodd-Frank Deposit Insurance Provision. At June 30, 2019 combined deposits totaled \$2,217,495 which exceeded FDIC limits, however, the Organization feels that it is not exposed to significant credit risk on its cash balances.

NOTE C: RETIREMENT PLAN

All full-time employees of Education Explosion, Inc. d/b/a Impact Charter Elementary School, Inc are eligible to participate in Education Explosion, Inc. d/b/a Impact Charter Elementary School, Inc.'s 401(k) Contribution Plan. Covered employees may elect to contribute a portion of their salaries to the plan. Education Explosion, Inc. d/b/a Impact Charter Elementary School, Inc.'s matching contribution to the Plan is 100% of the participant's contribution up to 3% of employee's annual salary. ICE made contributions of \$7,434 to the Plan for the year ended June 30, 2019.

NOTE D: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services in the accompanying Statement of Activities.

NOTE E: OPERATING LEASES

The School leases a copier and a transportation van which are considered to be operating leases. The rental costs on these items for the year ended June 30, 2019 were \$7,785 and \$7,619 respectively.

NOTE F: GRANTS RECEIVABLE

At June 30, 2019, grants receivable consist of amounts due from the following sources:

<u>Federal</u>		
IDEA Part B	\$	28,915
IDEA Pre-School		1,719
Title II		28,770
Title I		57,521
School Food Service		52,372
School Redesign		2,434
Total Federal	\$	<u>180,631</u>

NOTE G: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been determined utilizing available market information and appropriate valuation methodologies. The School does not have any financial instruments other than cash.

NOTE H: PER DIEM TO BOARD OF DIRECTORS

During the year ended June 30, 2019, no board member received per diem in his or her capacity as Director.

NOTE I: PRIOR PERIOD ADJUSTMENT

Management made a prior period adjustment to net assets restrictions to record prepaid expenses not recognized in the prior year. The net adjustments totaled \$68,034. An adjustment was made to recognized prepaid expenses in the amount of \$10,893 of prepaid expenses not previously recognized. Also, an adjustment was made to prior year depreciation expense in the amount of \$1,842 and other expenses of \$369 and finally, fixed assets in the amount of \$80,400.

NOTE J: CONCENTRATION OF REVENUE SOURCE

Education Explosion, Inc. d/b/a Impact Charter Elementary School's primary sources of funding is provided from the Minimum Foundation Program (MFP), provided by the State of Louisiana to all public school systems in Louisiana. The funding is based on October 1st and February 1st student count and various direct grants from federal and state agencies. If the amount of the MFP and grants received fall below the expected student count and contract levels, respectively, the School's operating results could be adversely affected.

NOTE K: CONTINGENCIES AND COMMITMENTS

Education Explosion, Inc. d/b/a Impact Charter Elementary School, is a recipient of funding from the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of Education Explosion, Inc. d/b/a Impact Elementary Charter School, and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms; conditions and regulations of the funding sources may be subject to recapture.

NOTE L: SCHOOL FACILITIES

Education Explosion dba Impact Charter Elementary School entered into a sub-lease effective as of April 30, 2014 with ICE Project Development, LLC, a Utah limited liability company. The registered agent of ICE Project Development, LLC is Highmark School Development (a charter school developer that seeks to facilitate the development of modern, efficient, and functional charter school facilities across the nation). The entities are not related parties.

The sub-leased property is a parcel of land together with an approximately 35,000 square foot building inclusive of all buildings, fixtures, and other improvements for the purpose of operating a charter school for 480 students. The prime lessor is Education Capital Solutions, LLC, a Delaware limited liability company.

Under the terms of the sub-lease, Education Explosion, Inc. dba Impact Charter Elementary School is responsible for providing all furnishings and personal property necessary for the operation of the charter school, including desks, office furniture, tables, chairs, and other items. The School shall also pay all taxes, insurance, utilities, and services, including garbage, maintenance, and janitorial services.

Under the terms of the sub-lease, the School shall pay an annual rent equal to ten percent (10%) of the total development cost of the prime lessor (as described in the prime lease) on the first day of each month and every calendar month during the lease term. The terms also include an annual increase of three percent (3%) of the previous lease payment. The School has exercised its option to renew to lease the facilities for an additional term of five years.

The total rental payments made under the lease for the year ended June 30, 2019 was \$789,105. Estimated future scheduled rental payments under the terms of the sub-lease for the next four years are as follows:

June 30	
2020	812,778
2021	837,162
2022	862,277
2023	888,145
2024	0
\$	<u>3,400,362</u>

NOTE L: LIQUIDITY OF FINANCIAL ASSETS

The financial assets available to meet cash needs for general expenditures within one year as of June 30, 2019 are as follows:

June 30,	2019
Cash	\$ 2,184,855
Grant and other receivables	180,631
Total financial assets available to meet general expenditures within one year	<u>\$ 2,365,486</u>

Revenue from the Minimum Foundation Program and sources other than federal grants and internal funds is not restricted for specific purposes and is available for general expenditure. Liabilities or other obligations as they come due.

NOTE L: SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial

statements Subsequent events have been evaluated through December 14, 2019 , the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

Education Explosion
d/b/a
Impact Charter Elementary School
June 30, 2019

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Education				
Passed through to Louisiana Department of Education				
Title I Grants to Local Educational Agencies-DSS	84.010A	S010A180018	\$ 0	\$ 6,640
Title I Grants to Local Educational Agencies-School Redesign	84.010A	S010A180018	0	93,837
Title I Grants to Local Educational Agencies	84.010A	S010A180018	0	217,181
Title IIA Grants to Local Educational Agencies-Supportive Effective Instruction Grants	84.367A	S010A180018	0	28,770
Total Title I Grants to Local Educational Agencies				346,428
Student Support and Academic Enrichment Program	84.424A	S010A180018	0	8,900
				<u>8,900</u>
Special Education Cluster				
Special Education Grants to States-IDEA	84.027A	S010A180018	0	73,409
Special Education - IDEA Preschool Grants	84.173A	S010A180018	0	1,719
Total Special Education Cluster				75,128
Striving Readers	84.371C	S010A180018	0	77,500
Striving Readers	84.371C	S010A180018	0	29,352
Educational Excellence Program	84.215B	S010A180018	0	14,409
			<u>0</u>	<u>121,261</u>
Total United States Department of Education			<u>0</u>	<u>551,717</u>
United States Department of Agriculture				
passed through to the Louisiana Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555		0	313,761
Total Child Nutrition Cluster			<u>0</u>	<u>313,761</u>
Total United States Department of Agriculture			<u>0</u>	<u>313,761</u>
Total Federal Expenditures			<u>\$ 0</u>	<u>\$ 865,478</u>

The accompanying notes are an integral part of these financial statements

Education Explosion
d/b/a
Impact Charter Elementary School
Notes Schedule of Expenditures of Federal Awards
June 30, 2019

NOTE A – Basis of Presentation

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

NOTE B – Summary of Significant Accounting Policies

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

NOTE C - Relationship to Financial Statements

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

NOTE D – De Minimus Cost Rate

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

The accompanying notes are an integral part of these financial statements

**Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation**

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

**To The Board of Directors
Education Explosion, Inc.
d/b/a Impact Charter Elementary School
Baker, LA**

I 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 Education Explosion, Inc. dba Impact Charter Elementary School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 14, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Education Explosion, Inc. dba Impact Charter Elementary School internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Education Explosion, Inc. dba Impact Charter Elementary School's internal control. Accordingly, I do not express an opinion on the effectiveness Education Explosion dba Impact Charter Elementary 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Education Explosion, Inc. d/b/a Impact Charter Elementary School's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
Shreveport, LA
December 14, 2019

Talmadge E. Mitchell
Certified Public Accountant
A Professional Corporation

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

To the Board of Directors
Education Explosion d/b/a
Impact Charter Elementary School

Report on Compliance for Each Major Federal Program

I have audited Education Explosion, d/b/a Impact Charter Elementary School's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Education Explosion, d/b/a Impact Charter Elementary School's major federal programs for the year ended June 30, 2019. Education Explosion, d/b/a Impact Charter Elementary School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Education Explosion, d/b/a Impact Charter Elementary School's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Education Explosion, d/b/a Impact Charter Elementary School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Education Explosion, d/b/a Impact Charter Elementary School's compliance.

Opinion on Each Major Federal Program

In my opinion, Education Explosion, d/b/a Impact Charter Elementary 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 Education Explosion, d/b/a Impact Charter Elementary 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 my audit of compliance, I considered the Education Explosion, d/b/a Impact Charter Elementary School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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, I do not express an opinion of the effectiveness of Education Explosion, d/b/a Impact Charter Elementary 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, 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
Shreveport, LA
December 14, 2019

EDUCATION EXPLOSION, INC
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

Schedule of Findings and Questions Cost
For the Year Ended
June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements
 Type of auditor’s report issued: Unmodified

Compliance and internal control over financial reporting
 Significant deficiency(ies) identified No
 Material weakness(es) identified No

A Separate management letter was issued on December 14, 2019

Federal Awards
 Internal control over major programs:
 Significant deficiency(ies) identified No
 Material weakness(es) identified No

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the
 Uniform Guidance No

Identification of major programs:

CFDA Number	Name of Program or Cluster
84.371	Striving Readers/Comprehensive Literacy Development

Dollar threshold to distinguish between Type A and Type Programs: \$750,000

Auditee qualified as a low-risk auditee No

Section II – Financial Statement Findings Reported in Accordance with Governmental Auditing Standards

None

EDUCATION EXPLOSION, INC
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

Summary Schedule of Prior Audit Findings
For the Year Ended
June 30, 2018

NONE

EDUCATION EXPLOSION, INC
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL
FOR THE YEAR ENDED
JUNE 30, 2019

**Schedule of Compensation, Benefits and
Other Payments to
Agency Head or Chief Executive Officer**

Agency Head: Chakesha Scott, CEO

Purpose	Amount
Salary	\$149,021
Benefits-Insurance	\$18,984
Benefits-Retirement	\$3,785
Benefits (Other)	\$12,207
Car Allowance	
Vehicle provide by government	
Per Diem	
Reimbursements	
Travel	\$12,440
Registration Fees	
Conference Travel	
Continuing professional education fees	
Housing	
unvouchered expenses	\$305
Special meals	\$5,153

**Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation**

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

**To the Board of Directors
Education Explosion, Inc.
d/b/a Impact Charter Elementary School
Baker, LA**

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which I am agreed to by the management of Education Explosion, Inc. d/b/a Impact Charter Elementary School and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Education Explosion, Inc. d/b/a Impact Charter Elementary School, 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. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I 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 findings relate to the accompanying schedules of supplemental information and are as follows:

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

1. I 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

Finding: None

Class Size Characteristics (Schedule 6)

2. I 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. I then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Finding: None

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Legislative Auditors, the Louisiana Department of Education, and the East Baton Rouge Parish School Board, should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
Shreveport, LA
December 14, 2019

EDUCATION EXPLOSION, INC
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL

SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:514-PERFORMANCE AND STATISTICAL DATA)
FOR THE YEAR ENDED JUNE 30, 2019

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 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. This data is currently reported to the Legislature in the Annual School Report (ASR).

See independent accountants' report on applying agreed upon procedures

**EDUCATION EXPLOSION, INC d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL**

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

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

	Column A		Column B
<u>General Fund Instructional and Equipment Expenditures</u>			
General Fund Instructional Expenditures:			
Teacher and Student Interaction Activities:			
Classroom Teacher Salaries	\$ 925,643		
Other Instructional Staff Activities	127,823		
Instructional Staff Employee Benefits	160,309		
Purchased Professional and Technical Services	80,556		
Instructional Materials and Supplies	210,818		
Instructional Equipment	2,149		
Total Teacher and Student Interaction Activities	\$ 1,507,298	\$	1,507,298
Other Instructional Activities	\$ 44,028	\$	44,028
Pupil Support Activities	49,867		
Less: Equipment for Pupil Support Activities	\$ -		
Net Pupil Support Activities	\$ 49,867	\$	49,867
Instructional Staff Services	\$ 65,897		
Less: Equipment for Instructional Staff Services	-		
Net Instructional Staff Services	\$ 65,897	\$	65,897
School Administration	703,709		
Less: Equipment for School Administration	(13,255)		
Net School Administration	690,454	\$	690,454
Total General Fund Instructional Expenditures			\$ 2,357,544
Total General Fund Equipment Expenditures			2,357,544
<u>Certain Local Revenue Sources</u>			
Local Taxation Revenue:			
Constitutional Ad Valorem Taxes		\$	-
Renewable Ad Valorem Tax			-
Debt Service Ad Valorem Tax			-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes			-
Sales and Use Taxes			-
Total Local Taxation Revenue		\$	-
Local Earnings on Investment in Real Property:			
Earnings from 16th Section Property		\$	-
Earnings from Other Real Property			-
Total Local Earnings on Investment in Real Property		\$	-

See independent accountants' report on applying agreed upon procedures

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

State Revenue in Lieu of Taxes:	
Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	\$ <u>-</u>
Nonpublic Textbook Revenue	\$ <u>-</u>
Nonpublic Transportation Revenue	\$ <u>-</u>

See independent accountants' report on applying agreed upon procedures

EDUCATION EXPLOSION, INC
d/b/a
IMPACT CHARTER ELEMENTARY SCHOOL
CLASS SIZE CHARACTERISTICS –SCHEDULE 6
AS OF OCTOBER 1, 2016

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	6%	19	13%	46	2%	6		
Elementary Activity Classes	6%	20	13%	46	17%	60		
Middle/Jr. High	17%	59	6%	21				
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	9%	31	10%	36				
Combination Activity Classes								
Total	38%	129.00	43%	149.00	19%	66.00		

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

Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

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

To the Board of Directors of
Education Explosion, Inc.
d/b/a Impact Charter Elementary School
and the Louisiana Legislative Auditor
Baker, Louisiana

I have performed the procedures enumerated below, which were agreed to by the management of Education Explosion, Inc., d/b/a Impact Charter Elementary 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 Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

I have obtained a listing of travel and related expense reimbursements.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Organization revised its travel policy to include rates to be applied to travel.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Comparison with listed travel policy rates indicate that documentation agrees with the travel policy rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Disaster Recovery/Business Continuity

34. (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.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or

compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
Shreveport, Louisiana
December 14, 2019