

**MORRIS JEFF
COMMUNITY SCHOOL, INC.
NEW ORLEANS, LA**

Annual Financial Statements

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

December 14, 2018

To the Board of Directors
Morris Jeff Community School, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Morris Jeff Community School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morris Jeff Community School, Inc. 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 accompanying schedule of compensation, benefits, and other payments to the agency head and the 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Morris Jeff Community School Inc.'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 Morris Jeff Community School Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

MORRIS JEFF COMMUNITY SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets	
Unrestricted cash and cash equivalents	\$ 1,148,407
Restricted cash and cash equivalents	884,417
Tuition receivable, net of allowance	-
Grant receivable	973,475
Other receivable	15,530
Prepaid expenses	38,497
Security deposits	19,997
Total current assets	3,080,323
Property and Equipment	
Furniture and equipment	40,869
Accumulated depreciation	(40,869)
Total Property & Equipment, net	-
Total assets	3,080,323

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	142,119
Accrued liabilities	516,399
Total current liabilities	658,518
Total liabilities	658,518

NET ASSETS

Net Assets	
Unrestricted	1,537,388
Temporarily restricted	884,417
Total net assets	2,421,805
Total liabilities and net assets	\$ 3,080,323

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

MORRIS JEFF COMMUNITY SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
State public school funding	\$ 8,242,535	\$ -	\$ 8,242,535
Federal grants	930,298	-	930,298
State and local grants	320,642	-	320,642
Private grants	12,541	1,325,000	1,337,541
Donations	36,543	-	36,543
Event income	64,981	-	64,981
Other income	371,428	-	371,428
Net assets released from restrictions:			
Time and purpose restrictions satisfied	<u>613,309</u>	<u>(613,309)</u>	<u>-</u>
Total revenues	<u>10,592,277</u>	<u>711,691</u>	<u>11,303,968</u>

EXPENSES

Program services			
Regular education programs	3,268,192	-	3,268,192
Special education programs	1,880,397	-	1,880,397
Other instructional programs	702,022	-	702,022
Special programs	442,742	-	442,742
Instructional staff services	749,337	-	749,337
School administration	508,526	-	508,526
Student transportation services	441,528	-	441,528
Operation and maintenance of plant services	827,890	-	827,890
Pupil support services	343,265	-	343,265
Food service operations	315,021	-	315,021
Community services operations	3,500	-	3,500
Management and General			
Business services	337,221	-	337,221
Enterprise operations	87,956	-	87,956
General administration	321,381	-	321,381
Fundraising	<u>15,139</u>	<u>-</u>	<u>15,139</u>
Total expenses	<u>10,244,117</u>	<u>-</u>	<u>10,244,117</u>
Change in net assets	348,160	711,691	1,059,851
Net assets, beginning of year	<u>1,189,228</u>	<u>172,726</u>	<u>1,361,954</u>
Net assets, end of year	<u>\$ 1,537,388</u>	<u>\$ 884,417</u>	<u>\$ 2,421,805</u>

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

MORRIS JEFF COMMUNITY SCHOOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	1,059,851
Bad debt expense		243,819
Adjustments to Reconcile Change in Net Assets to to net cash provided by operating activities:		
Increase in grants receivable		(542,978)
Increase in other receivable		29,424
Increase in prepaid expense		(11,843)
Increase in accounts payable		265
Increase in accrued liabilities		55,826
Total adjustments		<u>(469,306)</u>
Net cash provided by operating activities		<u>834,364</u>
Net increase in cash and cash equivalents		834,364
Cash and cash equivalents, beginning of year		<u>1,198,460</u>
Cash and cash equivalents, end of year	\$	<u><u>2,032,824</u></u>

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

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Principles

Morris Jeff Community School, Inc. (the School) was created as a non-profit corporation under the laws of the State of Louisiana (the State) on February 13, 2009. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 5 charter school. On June 8, 2010, BESE approved the charter of the School. The charter was approved for a renewal term of six years in December, 2014.

The School serves eligible elementary through high school students. A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School 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, the School is required to present a statement of cash flows.

The School 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.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Principles (continued)

Cash and Cash Equivalents

The School classifies as cash and cash equivalents, all highly liquid debt instruments with a maturity of three months or less. Cash, which is held in interest bearing accounts, consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received specifying the use of the contribution.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the School considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501 (c)(3) tax-exempt organization. An IRS Form 990, Return of Organization Exempt from Income Tax, must be filed annually. The School believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that require adjustment to the financial statements. Penalties and interest, if any, would be included in income tax expense.

The School's federal Form 990 for 2014 through 2016 is subject to examination by the IRS, generally for three years after it was filed. As of the date of this report, an extension has been filed for the School's 2017 Form 990, which is for the fiscal year ended June 30, 2018.

Compensated Absences

The School allows employees 10 paid absences during the school year. At June 30, 2018, the School had obligations of \$0 of accumulated unpaid leave.

Public Support and Revenue

The School receives its support primarily from the Louisiana State Department of Education and the United States Department of Education. State and Federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances for uncollectible contributions are estimated. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Principles (continued)

promises to give for subsequent years are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support. The School uses the direct write-off method of writing off uncollectible receivables.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Revenue

Revenue for services provided is recorded when earned.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The School provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

Property and equipment exceeding \$5,000 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 the School.

Functional Classification of Expenses

Expenses are classified by functional classification and are matched with any donor-imposed restrictions for GAAP financial reporting purposes.

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Principles (continued)

Program Service Expenses- Direct and indirect costs related to providing education and the services consistent with the School’s mission.

This category includes any expenses related to the instruction and well-being of students (both regular population and special education):

STAFF	MATERIALS	STUDENT SERVICES
Teachers	Textbooks	Health Services
Paraprofessionals	Library Books	Food Services
Other Classroom Staff	Instructional Supplies	Facilities Services
Librarians	Instructional Equipment	Transportation Services
Professional Development	Testing Materials	Community Services
Contracted Instructional Services		Athletic Services
Music/Arts Programs		

Management and General Expenses- These expenses include any activities that are related to the overall management and direction of the School, but are not identifiable to any specific program or fundraising activity. Examples include board related expenses and business management expenses, such as accounting/recordkeeping, payroll and legal. These expenses also include both devoted and partially allocated staff as well as contracting expenses with external management companies.

Fundraising Expenses- Cover all activities related to bringing in revenues for the School, including state/federal grants used to conduct fundraising campaigns, conduct special fundraising events, and conduct other activities involved in the solicitation of contributions from outside sources.

Concentrations

The School received 73% of its revenues for the year ended June 30, 2018, from the Louisiana State Department of Education’s Minimum Foundation Program, subject to its charter school contract with the State, and 8% of its funding from federal grants.

NOTE 2 – Cash and Cash Equivalents

The School’s cash and cash equivalents (book balance) at June 30, 2018, totaled \$2,032,824, which is stated at cost and approximates market. Of this amount, \$884,417 is restricted due to provisions of grants and donations for certain uses. The School periodically maintains cash in bank accounts in excess of insured limits. The School has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – Grants Receivable

As of June 30, 2018, grants receivable totaled \$973,475, which was a receivable for federal grants passed through the Louisiana Department of Education and others. The balance is considered to be fully collectible.

NOTE 4 – Accrued Liabilities

As of June 30, 2018, the School has recorded accrued liabilities of \$516,399. This amount consists of accrued salaries and benefits representing pay periods that ended prior to the year end, but were not paid until after year end.

NOTE 5 – Retirement Plan

Certain employees of the School 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:

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 for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publically 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. The School is required to contribute at an actuarially determined rate. The rate is 26.6% of annual eligible contributions for the TRSL and is established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to the plan for the years ended June 30, 2018, 2017 and 2016, were \$1,322,995, \$1,192,422 and, \$1,127,060 respectively, which is equal to the required contribution.

NOTE 6 – Leases

The School operated rent free under a lease agreement with the Recovery School District (RSD) for the campus located at 211 S. Lopez Street, New Orleans, Louisiana. The lease is classified as an operating lease and was effective December 15, 2015 and extends through June 30, 2021.

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Blended Learning Program	\$ 24,742
Opening of High School	855,217
Cafeteria Equipment and Software	<u>4,458</u>
Total	<u>\$ 884,417</u>

NOTE 8 – Net Assets Released From Restriction

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2018:

Blended Learning	143,526
Opening of High School	<u>469,783</u>
Total	<u>\$613,309</u>

NOTE 9 – Line of Credit

The School has an operating line of credit with a bank which permits borrowing up to \$70,000. Interest is calculated on the outstanding principal balance at 9.50%. As of June 30, 2018, the School had no outstanding principal due under this agreement.

NOTE 10 – Board Member's Compensation

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

NOTE 11 – Property and Equipment

Depreciation expense for the year ended June 30, 2018 was \$0. 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 the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – Contingencies

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

NOTE 13 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 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.

SUPPLEMENTARY INFORMATION

**MORRIS JEFF COMMUNITY SCHOOL, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018**

Agency Head Name: Patricia Perkins

<u>Purpose</u>	<u>Amount</u>
Salary	\$124,714
Benefits – Employer Portion of Insurance	4,815
Benefits – Employer Portion of Retirement	<u>33,174</u>
	<u>\$162,703</u>



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

December 14, 2018

To the Board of Directors
Morris Jeff Community School, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Morris Jeff Community School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morris Jeff Community School Inc.'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 intended for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and the Louisiana Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA



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

December 14, 2018

To the Board of Directors
Morris Jeff Community School, Inc.
New Orleans, LA

Report on Compliance for Each Major Federal Program

We have audited Morris Jeff Community School Inc.'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 Morris Jeff Community School, Inc.'s major federal programs for the year ended June 30, 2018. Morris Jeff Community School Inc.'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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morris Jeff Community School, Inc.'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 Morris Jeff Community School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Morris Jeff Community School, Inc. 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, 2018.

Report on Internal Control Over Compliance

Management of Morris Jeff Community School, Inc. 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 Morris Jeff Community School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morris Jeff Community School, Inc.'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.

Hienz & Macaluso, LLC
Metairie, LA

MORRIS JEFF COMMUNITY SCHOOL, INC.
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 Education (Passed through the Louisiana Department of Education)		
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	\$ 91,293
Special Education - Preschool Grants	84.173	<u>3,501</u>
Total Special Education Cluster (IDEA)		<u>94,794</u>
Student Support and Academic Enrichment Program	84.424	10,000
Improving Teacher Quality State Grants	84.367	37,598
Title I Grants to Local Educational Agencies	84.010	345,619
United States Department of Education (Passed through NOLA Business Alliance)	84.048	<u>42,050</u>
Total United States Department of Education		<u>530,061</u>
United States Department of Agriculture (Passed through the Louisiana Department of Education)		
Child Nutrition Cluster		
School Breakfast Program	10.553 *	39,910
National School Lunch Program	10.555 *	<u>175,113</u>
Total Child Nutrition Cluster		<u>215,023</u>
Child and Adult Care Food Program	10.558	40,923
Total United States Department of Agriculture		<u>255,946</u>
United States Department of Health and Human Services (Passed through the Louisiana Department of Education)		
Temporary Assistance for Needy Families	93.558	<u>124,816</u>
Total United States Department of Health and Human Services		<u>124,816</u>
Total Federal Financial Assistance		<u>\$ 910,823</u>
* Major program.		

MORRIS JEFF COMMUNITY SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Morris Jeff Community School, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Morris Jeff Community School, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morris Jeff Community School, Inc.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

**MORRIS JEFF COMMUNITY SCHOOL, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. Summary of Auditor's Results

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

	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
8. The threshold for distinguishing Type A and Type B Programs was \$750,000.
9. Morris Jeff Community School, Inc. was determined to be a low-risk auditee.
10. De minimis indirect cost rate of 10% used Not applicable

B. Financial Statement Findings and Questioned Costs

There were no financial statement findings or questioned costs for the year ended June 30, 2018.

C. Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended June 30, 2018.

D. Management Letter

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

MORRIS JEFF COMMUNITY SCHOOL, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to Financial Statements

There were no prior year findings.

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable

Section III – Management Letter

Not applicable.



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

December 14, 2018

To the Board of Directors
Morris Jeff Community School, Inc.
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Morris Jeff Community School, Inc., 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 Morris Jeff Community School, 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, incompliance with Louisiana Revised Statute 24:514 I. Management of Morris Jeff Community School, 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 sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among 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

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes of the October 1st roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None

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

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was property classified on the PEP data or equivalent listing prepared by management.

Findings: None

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Findings: None

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Morris Jeff Community School, Inc. as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report

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

Hienz & Macaluso, LLC
Metairie, LA

Schedule 1

Morris Jeff Community School, Inc.
New Orleans, Louisiana

General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 3,115,366	
Other Instructional Staff Activities	534,036	
Instructional Staff Employee Benefits	1,524,658	
Purchased Professional and Technical Services	26,494	
Instructional Materials and Supplies	254,378	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>-</u>	\$ 5,454,932
Other Instructional Activities		-
Pupil Support Activities	<u>579,245</u>	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		579,245
Instructional Staff Services	533,238	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>533,238</u>
School Administration		
Less: Equipment for School Administration	456,704	
Net School Administration	<u>-</u>	<u>456,704</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 7,024,120</u>
Total General Fund Equipment Expenditures (Object 730, Function Series 1000-4000)		<u>\$ -</u>
<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		<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		-
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 - Express Portion		-
Other Revenue in Lieu of Taxes		<u>-</u>
Total State Revenue in Lieu of Taxes		<u>\$ -</u>
Nonpublic Textbook Revenue		<u>\$ -</u>
Nonpublic Transportation Revenue		<u>\$ -</u>

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

Morris Jeff Community School, Inc.
New Orleans, Louisiana

Class Size Characteristics
As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	21.56%	61	23.32%	66	55.12%	156		
Combination Activity Classes	29.73%	11	27.03%	10	43.24%	16		

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



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors of Morris Jeff Community School, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Morris Jeff Community School (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Bank Reconciliations

1. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

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

Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation.

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

Management had documentation that it had researched reconciling items outstanding for more than 12 months from the related statement closing date.

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

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

Management provided us with the required listing as well as the representation that the listing was complete.

- 3. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

There was evidence that the monthly statements and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

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

No finance charges and/or late fees were assessed on the selected statements.

- 4. Using the monthly statements or combined statements selected under #3 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Each transaction selected was supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 14, 2018