

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**FINANCIAL STATEMENTS**

June 30, 2020

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## **Independent Auditor's Report**

To the Board of Directors of  
Educators for Quality Alternatives, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Educators for Quality Alternatives, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educators for Quality Alternatives, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to the agency head on page 14, as required by State law, is presented for purposes 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 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 22, 2020 on our consideration of Educators for Quality Alternatives, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Educators for Quality Alternatives, Inc.'s internal control over financial reporting and compliance.

*Hienz & Macaluso, LLC*  
Metairie, Louisiana  
December 22, 2020

## FINANCIAL STATEMENTS

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**Assets**

**Current Assets:**

Cash and cash equivalents	\$ 2,512,322
Grants receivable	213,801
Prepaid expenses	<u>136,712</u>
<b>Total Current Assets</b>	<u><u>2,862,835</u></u>

**Property and Equipment:**

Building improvements	298,837
Furniture and fixtures	19,065
Equipment	98,240
Less accumulated depreciation	<u>(297,819)</u>
<b>Total Fixed Assets, Net</b>	<u><u>118,323</u></u>

**Other Asset:**

Deposits	<u>8,750</u>
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<b>Total Assets</b>	<u><u><u>2,989,908</u></u></u>
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**Liabilities and Net Assets**

**Current Liabilities:**

Accounts payable and accrued liabilities	143,406
Notes payable - current	<u>233,962</u>
<b>Total Current Liabilities</b>	<u><u>377,368</u></u>

Notes payable - noncurrent	<u>294,653</u>
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<b>Total Liabilities</b>	<u><u>672,021</u></u>
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**Net Assets:**

Without donor restrictions	2,117,887
With donor restrictions	<u>200,000</u>

<b>Total Net Assets</b>	<u><u>2,317,887</u></u>
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<b>Total Liabilities and Net Assets</b>	<u><u><u>\$ 2,989,908</u></u></u>
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The accompanying notes are an integral part of these financial statements.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Grants and Other Support:</b>			
State and local public school funding	\$ 5,398,479	\$ -	\$ 5,398,479
Federal grants	327,551	-	327,551
Donations and grants	142,118	325,000	467,118
Other income	15,957	-	15,957
Net assets released from restriction	125,000	(125,000)	-
	<hr/>		
<b>Total Revenue, Grants and Other Support</b>	6,009,105	200,000	6,209,105
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<b>Expenses:</b>			
Program Services			
Regular programs	1,377,347	-	1,377,347
School administration	980,706	-	980,706
Pupil support services	438,113	-	438,113
Other instructional services	118,824	-	118,824
Special education programs	698,116	-	698,116
Other instructional programs	17,241	-	17,241
Technical programs	253,115	-	253,115
Transportation services	143,002	-	143,002
Food services	110,021	-	110,021
Operation and maintenance of plant	666,157	-	666,157
Management and General			
Central services	621,211	-	621,211
Business services	238,113	-	238,113
General Administration	76,241	-	76,241
	<hr/>		
<b>Total Expenses</b>	5,738,207	-	5,738,207
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<b>Change in Net Assets</b>	270,898	200,000	470,898
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<b>Net Assets, Beginning of Period</b>	1,846,989	-	1,846,989
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<b>Net Assets, End of Period</b>	\$ 2,117,887	\$ 200,000	\$ 2,317,887
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The accompanying notes are an integral part of these financial statements.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>Total Expenses</u>
	<u>Instructional</u>	<u>Management and General</u>	
<b>Expenses:</b>			
Salaries	\$ 2,543,704	\$ 426,203	\$ 2,969,907
Payroll Taxes	193,650	32,299	225,949
Retirement	136,606	24,218	160,824
Other Benefits	269,771	58,713	328,484
Professional Services	528,361	274,126	802,487
Travel	145,243	-	145,243
Supplies	177,439	10,222	187,661
Utilities	12,058	-	12,058
Repairs and Maintenance	105,277	-	105,277
Insurance	48,383	2,333	50,716
Communication	24,913	-	24,913
Food Service Management	76,523	-	76,523
Depreciation Expense	-	105,894	105,894
Rental	442,915	-	442,915
Other	97,799	1,557	99,356
	<u>\$ 4,802,642</u>	<u>\$ 935,565</u>	<u>\$ 5,738,207</u>

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



**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Cash Flows from Operating Activities:</b>	
Change in Net Assets	\$ 470,898
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	105,894
(Increase) Decrease in:	
Grants receivable	(81,136)
Other receivable	58,788
Prepaid expenses	(102,459)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	30,849
<b>Net Cash Provided by Operating Activities</b>	<u>482,834</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of property and equipment	<u>(80,681)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(80,681)</u>
<b>Cash Flows from Financing Activities:</b>	
Proceeds from notes payable	<u>528,615</u>
<b>Net Cash Provided by Financing Activities</b>	<u>528,615</u>
<b>Net Increase in Cash and Cash Equivalents</b>	930,768
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>1,581,554</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 2,512,322</u>

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

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – Summary of Significant Accounting Policies:**

Educators for Quality Alternatives, Inc. (the “School”) was created as a non-profit corporation under the laws of the State of Louisiana on July 14, 2009. The School applied to the Louisiana Board of Elementary and Secondary Education (“BESE”) to operate a Type 5 charter school. The charter school contract, effective July 1, 2012, is entered into between the School and its Board of Directors and BESE for the purpose of operating The NET Charter High School. The school serves students aged from 16 – 21 years of age. On July 1, 2017, BESE granted the School an additional charter to operate another Type 5 charter school. The Net Gentilly commenced operations during the fiscal year ending June 30, 2018. Effective July 1, 2018, the School’s charters were changed from Type 5 under BESE to Type 3b under the Orleans Parish School Board (“OPSB”). In July 2019, EQA added The Bridge program for 7th & 8th graders during their expulsion term. This is not a charter school, rather it is a program that is contracted through the OPSB. In addition, EQA received a Type 1 Charter for New Orleans Accelerated High School to commence July 1, 2020.

**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 have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020 net assets with donor restrictions totaled \$200,000.

**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 the disclosure of

EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1 – Summary of Significant Accounting Policies (Continued):**

**Use of Estimates (continued)**

contingent 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.

**Revenues**

The School utilizes the guidance in Accounting Standards Update (“ASU”) 2018-08 in the assessment of whether revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions.

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 the School has met the performance requirements and/or eligible expenses are incurred. Amounts received prior to incurring qualified expenditures are reported as refundable advances in the statement of financial position. The School recognized as revenue all funds related to these grants during the year ended June 30, 2020.

Revenues from other sources are recorded as revenue in the period in which the School provides the service at the amount that reflects the consideration to which the School expects to be entitled for providing the service or good.

**Donated Services**

For the year ended June 30, 2020, the School had a total of 50 volunteers who served approximately 2,000 hours. Volunteer services included tutoring and classroom assisting, building beautification, office help and internship mentors. The value of these services is not recognized in the accompanying financial statements due to the unspecialized nature of these services.

**Property and Equipment**

Property and equipment are recorded at cost or estimated fair value if donor-contributed. The School capitalizes all property and equipment purchases over \$1,000. 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. Depreciation is calculated using the straight line method with estimated useful lives of 3 to 5 years.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1 – Summary of Significant Accounting Policies (Continued):**

**Income Taxes**

The School is operating under Section 501(c) (3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the School considers all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

**New Accounting Pronouncement**

Effective July 1, 2019, the School adopted ASU No. 2018-08 Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

**NOTE 2 – Cash and Cash Equivalents:**

At June 30, 2020, cash consists of demand deposits in local banks of \$2,512,322.

**NOTE 3 – Grant Receivables:**

Grant receivables are stated at the amount the School expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts as the School believes all receivables are collectible.

**NOTE 4 – Concentrations:**

For the year ended June 30, 2020, the School received approximately 92% of its total revenues from Federal and State of Louisiana grantors. The School maintains cash balances at local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the School's amounts may exceed the federally insured limits. At June 30, 2020, the School's cash deposits exceeded the FDIC limits by \$2,012,322.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 5 – Contingencies:**

Amounts received or receivable from federal, state or local agencies are subject to audit and adjustment by these 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 such agencies cannot be determined at this time, although the School expects any such amounts to be immaterial.

**NOTE 6 – Retirement Plan:**

Effective December 1, 2012, the School provides a 403(b) plan for all regular full-time employees. An employee becomes eligible to participate in the plan on the first day of the month following the date of hire. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The plan allows for discretionary non-elective employer contributions, and all employees are immediately vested. For the year ended June 30, 2020, the School recorded retirement contributions in the amount of \$160,824.

**NOTE 7 – Functional Expenses:**

As required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities, the School has presented a statement of functional expenses as part of its financial statements. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and employee benefits have been allocated based on time and effort. Professional services, supplies, insurance and other expenses have been allocated based on actual expenses.

**NOTE 8 – Leases:**

The School leases its buildings under the terms of three operating leases expiring on August 31, 2021 and May 31, 2027, respectively.

For the year ended June 30, 2020, lease expense equaled \$442,915.

The future estimated minimum lease payments under the above leases are as follows:

EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 8 – Leases (Continued):**

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2021	\$ 392,090
June 30, 2022	276,350
June 30, 2023	253,050
June 30, 2024	253,050
June 30, 2025	253,050
Thereafter	485,013
	<u>\$ 1,912,603</u>

For year ended June 30, 2020, the School subleased space in one of their buildings and earned \$20,567 in rental income. For fiscal year ending June 30, 2020, the School estimates that it will earn \$21,084 in rental income.

**NOTE 9 – Property and Equipment:**

For the year ended June 30, 2020, depreciation expense was \$105,894.

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.

**NOTE 10 – Uncertain Income Taxes:**

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”). The implementation of this topic had no impact on the statement of financial position or the statement of activities.

The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School’s tax filings are subject to review by various taxing authorities. The School’s open review periods are 2016-2018. The School’s information return related to the June 30, 2020 fiscal year will be filed after the conclusion of the 2020 audit. Management has evaluated the School’s tax positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE 11 – Liquidity and Availability of Resources:**

At June 30, 2020, the School has financial assets within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 11 – Liquidity and Availability of Resources (Continued):**

Cash and cash equivalents	\$ 2,512,322
Grants receivable	<u>213,801</u>
	<u>\$ 2,726,123</u>

The School’s objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenses. The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources of the School. In addition, the School operates with a budget and monitors sources and uses of funds throughout the year by comparing budget to actual operating expenses.

**NOTE 12 – Long-Term Debt:**

On April 9, 2020, the School entered into a U.S. Small Business Administration (SBA) Payroll Protection Program (PPP) loan with Hope Federal Credit Union in the amount of \$528,615. The loan bears interest at a rate of 1% per annum, with a deferral period ending in April, 2021, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP loan is subject to forgiveness to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP. The School submitted its application for forgiveness on December 8, 2020. To the extent that all or part of the PPP loan is not forgiven, the School will be required to pay interest at a rate of 1% per annum, and commencing in October 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default, representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

**NOTE 13 – Net Assets with Donor Restrictions:**

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Expansion support	<u>\$ 200,000</u>
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EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 13 – Net Assets with Donor Restrictions (Continued):**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2020:

Expansion support	\$ 75,000
Career pathways	<u>50,000</u>
	<u><u>\$ 125,000</u></u>

**NOTE 14 – Date of Management’s Review:**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 22, 2020, and determined that other than the matter discussed below, there were no other events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global and domestic economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the School's donors, students, employees and vendors, all of which are uncertain and cannot be predicted.



**SUPPLEMENTARY INFORMATION**

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO THE AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2020**

Agency Head Name: Elizabeth Ostberg

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 120,000
Benefits - Employer Portion of Insurance	6,844
Benefits - Employer Portion of Retirement	7,200
Travel	322
Total	<u>\$ 134,366</u>

See the accompanying independent auditor's report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



**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 of  
Educators for Quality Alternatives, Inc.

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 Educators for Quality Alternatives, Inc. (a nonprofit organization) (the “School”), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Educators for Quality Alternatives, 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 Educators for Quality Alternatives, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Educators for Quality Alternatives, 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hienz & Macaluso,*  
*LLP*  
Metairie, Louisiana  
December 22, 2020

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

*Section I – Internal Control and Compliance Material to the Financial Statements:*

There were no findings as of June 30, 2020.

*Section II – Internal Control and Compliance Material to Federal Awards:*

Not applicable

*Section III - Management Letter:*

A management letter was not issued in connection with the audit for the year ended June 30, 2020.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Section I – Internal Control and Compliance Material to the Financial Statements:*

There were no findings as of June 30, 2019.

*Section II – Internal Control and Compliance Material to Federal Awards:*

Not applicable

*Section III - Management Letter:*

A management letter was not issued in connection with the audit for the year ended June 30, 2019.

R.S. 24:514 I – PERFORMANCE AND STATISTICAL DATA AGREED-UPON  
PROCEDURES





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

To the Board of Directors of  
Educators for Quality Alternatives, Inc.

We have performed the procedures enumerated below, which were agreed to by the Educators for Quality Alternatives, Inc. (the School); the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties) on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2020; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin in compliance with Louisiana Revised Statute 24:514 I. Management of the School 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.

Our procedures and findings related to the following schedules are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:
  - 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

No exceptions were noted.

### **Class Size Characteristics (Schedule 2)**

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

No exceptions were noted.

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

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

No exceptions were noted.

### **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).

No exceptions were noted.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, 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, LLP*  
Metairie, Louisiana  
December 22, 2020

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**New Orleans, Louisiana**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2020**

<u>General Fund Instructional and Equipment Expenditures</u>	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 1,172,957	
Other Instructional Staff Activities	148,250	
Instructional Staff Employee Benefits	323,734	
Purchased Professional and Technical Services	113,322	
Instructional Materials and Supplies	103,783	
Instructional Equipment	44,128	
Total Teacher and Student Interaction Activities		<u>\$ 1,906,174</u>
Other Instructional Activities		<u>-</u>
Pupil Support Services	276,166	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		<u>276,166</u>
Instructional Staff Services	75,362	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>75,362</u>
School Administration	1,485,728	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>1,485,728</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 3,743,430</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$44,128</u>

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

Class Size Characteristics  
 As of October 1, 2019

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Precent	Number	Precent	Number	Precent	Number	Precent	Number
Elementary								
Elementary Activity Class								
Middle High								
Middle High Activity Class								
High	88%	141	5%	8	2%	4	5%	8
High Activity Class	100%	13						
Combination								
Combination Activity Class								

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