

EDUCATORS FOR QUALITY ALTERNATIVES, INC.

FINANCIAL STATEMENTS

June 30, 2019

Contents	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Supplementary Information:	
Schedule of Compensation, Benefits, and Other Payments to the Agency Head	13
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	14 - 15
Schedule of Findings	16
Summary Schedule of Prior Year Findings	17
Independent Accountant's Report on Applying Agreed-Upon Procedures	18 - 20
Schedules Required By State Law (R.S. 24:514 – Performance and Statistical Data)	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	Schedule 1 21
Class Size Characteristics	2 22
Independent Accountant's Report on Applying Agreed-Upon Procedures	23 - 26



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, 2019, 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, 2019, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities; this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

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 12, 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 13, 2019 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 13, 2019

FINANCIAL STATEMENTS

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

Assets

Current Assets:

Cash and cash equivalents	\$	1,581,554
Grants receivable		132,665
Other receivables		58,788
Prepaid expenses		34,253
Total Current Assets		<u>1,807,260</u>

Property and Equipment:

Building improvements		298,837
Furniture and fixtures		19,065
Equipment		17,559
Less accumulated depreciation		(191,925)
Total Fixed Assets, Net		<u>143,536</u>

Other Asset:

Deposits		<u>8,750</u>
----------	--	--------------

Total Assets		<u><u>1,959,546</u></u>
---------------------	--	-------------------------

Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued liabilities		<u>112,557</u>
--	--	----------------

Total Liabilities		<u>112,557</u>
--------------------------	--	----------------

Net Assets:

Without donor restrictions		1,846,989
With donor restrictions		<u>-</u>

Total Net Assets		<u>1,846,989</u>
-------------------------	--	------------------

Total Liabilities and Net Assets	\$	<u><u>1,959,546</u></u>
---	----	-------------------------

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Grants and Other Support:			
State and local public school funding	\$ 4,414,466	\$ -	\$ 4,414,466
Federal grants	375,016	-	375,016
Donations and grants	267,369	-	267,369
Other income	18,747	-	18,747
	<hr/>		
Total Revenue, Grants and Other Support	5,075,598	-	5,075,598
<hr/>			
Expenses:			
Program Services			
Regular programs	1,066,523	-	1,066,523
School administration	1,328,538	-	1,328,538
Pupil support services	203,641	-	203,641
Other instructional services	23,767	-	23,767
Special education programs	511,804	-	511,804
Other instructional programs	29,275	-	29,275
Technical programs	351,622	-	351,622
Transportation services	113,539	-	113,539
Food services	123,816	-	123,816
Operation and maintenance of plant	648,322	-	648,322
Management and General			
Central services	167,301	-	167,301
Business services	17,509	-	17,509
	<hr/>		
Total Expenses	4,585,657	-	4,585,657
<hr/>			
Change in Net Assets	489,941	-	489,941
<hr/>			
Net Assets, Beginning of Period	1,357,048	-	1,357,048
<hr/>			
Net Assets, End of Period	\$ 1,846,989	\$ -	\$ 1,846,989

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, 2019

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>Total Expenses</u>
	<u>Instructional</u>	<u>Management and General</u>	
Expenses:			
Salaries	\$ 2,215,519	\$ 49,100	\$ 2,264,619
Payroll Taxes	166,911	9,468	176,379
Retirement	104,755	2,322	107,077
Other Benefits	260,316	4,897	265,213
Professional Services	639,349	13,999	653,348
Travel	116,086	-	116,086
Supplies	195,392	3,589	198,981
Utilities	13,944	-	13,944
Repairs and Maintenance	104,726	-	104,726
Insurance	37,387	211	37,598
Communication	12,749	-	12,749
Food Service Management	100,717	-	100,717
Depreciation Expense	-	99,547	99,547
Rental	393,909	-	393,909
Other	39,087	1,677	40,764
	<u>\$ 4,400,847</u>	<u>\$ 184,810</u>	<u>\$ 4,585,657</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, 2019

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 489,941
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	99,546
(Increase) Decrease in:	
Grants receivable	309,204
Other receivable	(58,788)
Prepaid expenses	91,046
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(139,199)
Net Cash Provided by Operating Activities	<u>791,750</u>
 Net Increase in Cash and Cash Equivalents	 791,750
 Cash and Cash Equivalents, Beginning of Period	 <u>789,804</u>
 Cash and Cash Equivalents, End of Period	 <u><u>\$ 1,581,554</u></u>

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

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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”).

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, 2019 there were no net assets with donor restrictions.

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, 2019

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's primary sources of funding are state and local public school funding, federal grants and private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Donated Services

For the year ended June 30, 2019, the School had a total of 100 volunteers who served approximately 7,000 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.

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, 2018, the School adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The School's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

NOTE 2 – Cash and Cash Equivalents:

At June 30, 2019, cash consists of demand deposits in local banks of \$1,581,554.

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, 2019, the School received approximately 94% 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, 2019, the School's cash deposits exceeded the FDIC limits by \$1,082,161.

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.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the School recorded retirement contributions in the amount of \$96,298.

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 May 31, 2020 and August 31, 2021 respectively.

For the year ended June 30, 2019, lease expense equaled \$393,909.

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

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2020	\$ 366,448
June 30, 2021	139,040
June 30, 2022	<u>23,300</u>
	<u>\$ 528,788</u>

For year ended June 30, 2019, the School subleased space in one of their buildings and earned \$18,757 in rental income. For fiscal year ending June 30, 2020, the School estimates that it will earn \$18,872 in rental income.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 – Property and Equipment:

For the year ended June 30, 2019, depreciation expense was \$99,547.

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, 2019 fiscal year will be filed after the conclusion of the 2019 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, 2019, 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:

Cash and cash equivalents	\$ 1,581,554
Grants receivable	132,665
Other receivables	<u>58,788</u>
	<u><u>\$ 1,773,007</u></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.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 – Date of Management’s Review:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2019, 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

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Elizabeth Ostberg

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 87,500
Benefits - Employer Portion of Insurance	9,071
Benefits - Employer Portion of Retirement	4,594
Travel	493
Total	<u>\$ 101,658</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, 2019 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 13, 2019.

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 & Macalusa, LLC
Metairie, Louisiana
December 13, 2019

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

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

There were no findings as of June 30, 2018.

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, 2018.

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, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for 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, LLC
Metairie, Louisiana
December 13, 2019

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, 2019**

<u>General Fund Instructional and Equipment Expenditures</u>	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 1,173,151	
Other Instructional Staff Activities	56,748	
Instructional Staff Employee Benefits	283,632	
Purchased Professional and Technical Services	151,705	
Instructional Materials and Supplies	156,706	
Instructional Equipment	3,327	
Total Teacher and Student Interaction Activities		<u>\$ 1,825,269</u>
Other Instructional Activities		<u>-</u>
Pupil Support Services	183,441	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		<u>183,441</u>
Instructional Staff Services	22,785	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>22,785</u>
School Administration	1,246,672	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>1,246,672</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 3,278,167</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u><u>\$3,327</u></u>

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

New Orleans, Louisiana

Class Size Characteristics

As of October 1, 2018

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%	130	3%	4	5%	7	4%	6
High Activity Class	100%	9						
Combination								
Combination Activity Class								

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

STATEWIDE AGREED-UPON PROCEDURES



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

To the Board of Directors
Educators for Quality Alternatives, Inc. and
The Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Educators for Quality Alternatives, Inc. (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, 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, 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:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

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

c) ***Disbursements***, including processing, reviewing, and approving

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

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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

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

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

i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

We noted that the Entity's policies do not address items 1 through 6 under **Disaster Recovery/Business Continuity**.

Management's Response:

New policies and procedures will be drafted and adopted to address the items that were not found in previous version of the policies and procedures with regards to Disaster Recovery/Business Continuity.

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.

We obtained 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 and management's representation that the listing is 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:

The procedures listed above were performed as indicated.

- 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.]]

We observed 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.

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

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

4. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

The procedures listed above were performed as indicated and no exceptions were noted.

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 13, 2019