



Audit of Financial Statements

October 31, 2025

Contents

Independent Auditor's Report	1 - 3
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Basic Financial Statements

Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18

Supplementary Information

United States Department of Education Composite Score Worksheet	20
Schedule of Compensation, Benefits, and Other Payments to Agency Head	21

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23
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Schedule of Findings and Responses	24
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Schedule of Prior Year Findings and Responses	25
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Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Operation Spark (the Organization), which comprise the statement of financial position as of October 31, 2025, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of October 31, 2025, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Prior Period Adjustment

As discussed in Note 9 to the financial statements, the Organization recorded a prior period adjustment to correct an error related to the capitalization and depreciation of leasehold improvements. This correction resulted in an adjustment to the beginning balance of net assets as of November 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

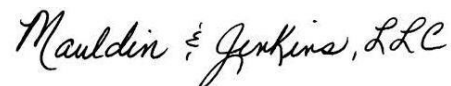
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the United States Department of Education Composite Score Worksheet and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), 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 GAAS. 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 April 10, 2026 on our consideration of the Organization’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



Covington, LA
April 10, 2026

OPERATION SPARK
Statement of Financial Position
October 31, 2025

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 854,459
Certificates of Deposit	484,284
Grants and Contributions Receivable	264,250
Federal and State Grants Receivable	52,591
Student Placement Fees Receivable	26,843
Tuition Receivable, Less Allowance for Credit Losses of \$113,238	523,435
Prepaid Expenses	17,641
Total Current Assets	<u>2,223,503</u>
Fixed Assets	
Computer Equipment	234,766
Furniture and Fixtures	98,170
Leasehold Improvements	364,200
Accumulated Depreciation	(626,900)
Total Fixed Assets, Net	<u>70,236</u>
Other Assets	
Security Deposit	7,025
Total Other Assets, Net	<u>7,025</u>
Total Assets	<u>\$ 2,300,764</u>
Liabilities	
Accounts Payable	\$ 9,842
Credit Card Payable	10,117
Deferred Revenue	194,190
Total Current Liabilities	<u>214,149</u>
Net Assets	
Without Donor Restrictions	1,800,347
With Donor Restrictions	286,268
Total Net Assets	<u>2,086,615</u>
Total Liabilities and Net Assets	<u>\$ 2,300,764</u>

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

OPERATION SPARK
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Tuition Revenue			
Adult Program Fees	\$ 391,785	\$ -	\$ 391,785
High School Program Fees	317,003	-	317,003
Less: Scholarships and Tuition Assistance Awarded	(113,575)	-	(113,575)
Total Tuition Revenue, Net	595,213	-	595,213
Other Program Income			
Student Placement Fees	39,040	-	39,040
Total Tuition and Program Income	634,253	-	634,253
Grants and Contributions			
Federal and State Grants	654,987	-	654,987
Private Grants and Contributions	484,308	375,000	859,308
Technical Training Grants	387,822	-	387,822
Net Assets Released from Restrictions	315,328	(315,328)	-
Total Grants and Contributions	1,842,445	59,672	1,902,117
Interest Income	37,658	-	37,658
Other Income	10,877	-	10,877
Total Revenue and Support	2,525,233	59,672	2,584,905
Expenses			
Program Services			
Educational Services	2,102,008	-	2,102,008
Supporting Services			
Management and General	561,593	-	561,593
Fundraising and Membership Development	43,184	-	43,184
Total Expenses	2,706,785	-	2,706,785
Change in Net Assets	(181,552)	59,672	(121,880)
Net Assets at Beginning of Year	2,205,935	226,596	2,432,531
Prior Period Adjustment	(224,036)	-	(224,036)
Net Assets at Beginning of Year, as Restated	1,981,899	226,596	2,208,495
Net Assets, End of Year	\$ 1,800,347	\$ 286,268	\$ 2,086,615

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

OPERATION SPARK
Statement of Functional Expenses
For the Year Ended October 31, 2025

	Program Services	Supporting Services		Total
	Educational Services	Management and General	Fundraising and Membership Development	
Salaries and Wages	\$ 1,548,478	\$ 269,427	\$ 38,635	\$ 1,856,540
Occupancy	57,471	92,921	-	150,392
Payroll Taxes	111,839	19,460	2,790	134,089
Depreciation	74,616	45,733	-	120,349
Professional Fees	15,840	84,689	-	100,529
Health Insurance	58,147	10,118	1,451	69,716
Assistance Grants	50,414	-	-	50,414
Subcontractors	47,777	-	-	47,777
Marketing	36,763	2,191	-	38,954
Technology	25,589	832	-	26,421
Utilities	21,334	2,710	-	24,044
Workers' Compensation	12,360	2,151	308	14,819
Bonus	-	14,000	-	14,000
Repairs	5,428	7,765	-	13,193
General Insurance	4,567	4,567	-	9,134
Dues	6,567	2,215	-	8,782
Meals	7,212	865	-	8,077
Merchant Fees	6,102	64	-	6,166
Office	3,590	1,531	-	5,121
Travel and Training	4,164	354	-	4,518
Bad Debt	3,750	-	-	3,750
Total Expenses	\$ 2,102,008	\$ 561,593	\$ 43,184	\$ 2,706,785

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

OPERATION SPARK
Statement of Cash Flows
For the Year Ended October 31, 2025

Cash Flows from Operating Activities	
Change in Net Assets	\$ (121,880)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities	
Depreciation	120,349
Bad Debt Expense, Net	3,750
(Increase) Decrease in Operating Assets	
Grants and Contributions Receivable	(181,125)
Federal and State Grants Receivable	38,362
Student Placement Fees Receivable	4,136
Tuition Receivable	(101,415)
Prepaid Expenses	(3,168)
Security Deposit	294
Right-of-Use Asset, Operating Lease	100,263
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(6,519)
Credit Card Payable	(2,206)
Accrued Compensation and Employee Related Obligations	-
Deferred Revenue	42,666
Operating Lease Liability	(100,994)
	<u>(207,487)</u>
Net Cash Used in Operating Activities	<u>(207,487)</u>
Cash Flows from Investing Activities	
Sale of Certificates of Deposit, Net	84,460
Purchase of Fixed Assets	(16,248)
	<u>68,212</u>
Net Cash Provided by Investing Activities	<u>68,212</u>
Net Decrease in Cash and Cash Equivalents	(139,275)
Cash and Cash Equivalents, Beginning of Year	<u>993,734</u>
Cash and Cash Equivalents, End of Year	<u>\$ 854,459</u>

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

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Operation Spark (the Organization) (a Louisiana non-profit organization) teaches the fundamentals of software development to disconnected youth to help them prepare for careers in software development. Most students are low-income, out of school, and unemployed. Operation Spark was formed in 2014 after a pilot project that was developed and conducted at youth community centers around New Orleans. Through various programs, the objectives are aimed at providing access and literacy in software creation.

The Organization's major program service areas included in its Educational Services programs are as follows:

High School to High Wage - The high school program is available for juniors and seniors in New Orleans public schools, Baton Rouge public schools, and neighboring parishes. Its primary goal is to offer low-income students, who too often lack the resources to be successful in college, an alternative path to post-secondary education. The program runs on a semester basis with the classes offered four nights a week.

Bootcamp - This program presents life as a professional software developer in 5 weeks, introducing students to the daily workflow of building software in a professional environment. By the end of class, the participants are on their way to being super users with the command-line and leave literate in the basics of JavaScript after building several apps and games in Node.js and HTML5. They can debug an app and problem solve on the internet and know where to find the resources to continue learning on their own or in teams. They also learn the soft skills that make them a great team player.

Immersion - The Immersion program brings students to the level of full-stack software engineer after three months of focusing on nothing but writing software for 11 hours a day, 6 days a week. The Organization partnered with the best code school in the United States, Hack Reactor, to bring its highly successful education model to New Orleans. This three-month immersion experience is more rigorous and time-consuming than most educational programs or full-time jobs. The three-month course teaches students how to think like a software engineer, build production-grade web applications, and utilize a broad array of computer programming tools. Throughout the program, the Organization works together with students' job search in mind. By graduation, they have a portfolio of projects, technical interview experience, a personal site, LinkedIn profile, and resume. Armed with a highly employable skill set by the end of the course, with over 900 hours of instruction, students are prepared to enter the Louisiana workforce.

Student Placement - The Organization contracts with companies to provide software consulting services, utilizing subcontracted students who have graduated from the Organization's Immersion program, often while the students are pursuing full-time employment.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements of the Organization. The financial statements and notes are representations of the Organization's management, who is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization reports 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 Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for programmatic purposes are excluded from this definition.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Tuition Receivables, Student Placement Fee Receivables, and Credit Policies

The Organization carries its accounts receivables net of an allowance for credit losses. The measurement and recognition of credit losses involves the use of judgment. Management's assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Organization's customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, and customer creditworthiness. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Organization's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. The Organization may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate. The Organization recorded bad debt expense totaling \$3,750 during the year ended October 31, 2025. The Organization recorded an allowance for credit losses as of October 31, 2025 totaling \$113,238.

Grants and Contributions Receivable

The Organization records grants and contributions expected to be collected within one year at net realizable value. Grants and contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. The Organization determines the allowance for uncollectable grants and contributions based on historical experience and a review of subsequent collections. Grants and contributions are written off when deemed uncollectable. The Organization had no allowance for uncollectable grants and contributions and all grants and contributions are due within one year as of October 31, 2025.

Fixed Assets

The Organization records fixed asset additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful life of five to seven (5 to 7) years for computers, furniture, and fixtures, and the lesser of the useful life or the lease term for leasehold improvements. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation expense totaled \$120,349 for the year ended October 31, 2025.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Exchange vs. Contribution

The Organization utilizes the guidance from Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to educational and training efforts. The Organization measures the performance obligation throughout the fiscal year. Revenue for performance obligations satisfied at a point in time are recognized when events, services, or goods are provided. The Organization determines the transaction price based on standard charges for goods or services provided to customers, which are predetermined by management.

Tuition Revenue - Adult Program Fees and High School Program Fees

Tuition revenue is recognized when earned. Tuition received in advance is deferred to the applicable period in which the related services are performed. Program revenue related to "High School to High Wage" is classified as high school program fees on the statement of activities and changes in net assets. Program revenue related to "Bootcamp" and "Immersion" is classified as adult program fees on the statement of activities and changes in net assets. Receivables from all programs are classified as tuition receivable on the statement of financial position.

The Organization uses the output measure for revenue recognition of adult program fees and high school program fees, which means the revenue is recognized pro-rata over each instructional course as performance obligations associated with the delivery of educational services are provided. A contract is entered into with a student or a school and covers a course, or collection of courses, over an expected period of time. The Organization determined there are no costs that are capitalized to obtain or fulfill these contracts with a student. Revenue recognition begins once a student starts attending a course. Any registration and other fees that do not relate to instruction are recognized when no longer refundable. The Organization's receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are not recorded until students have begun a course and the revenue recognition has commenced.

The Organization maintains a tuition refund policy, which provides for all or a portion of tuition and program fees to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none, of the tuition and program fees are refundable, then in accordance with its revenue recognition policy, the Organization continues to recognize the tuition and program fees that were not refunded pro-rata over the applicable period of instruction.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Tuition Revenue - Adult Program Fees and High School Program Fees (Continued)

The Organization's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statement of financial position. Adult program fees and high school program fees received in advance of services to be rendered are also recorded as deferred revenue.

Scholarships and Tuition Assistance

Program tuition revenues are reported net of scholarships and tuition assistance in the statement of activities and changes in net assets. Scholarships and tuition assistance are the difference between the stated charge for goods and services provided by the Organization and the amount that is paid by students and/or third parties making payments on the student's behalf.

Student Placement Fees

The Organization recognizes student placement fees revenue at the time the subcontracted graduate students and the Organization perform certain software consulting services for the customer, which is considered to be the performance obligation. The performance of the services is billed monthly based on graduate student time incurred.

The Organization has the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on performance to date. Accordingly, the Organization has adopted the right-to-invoice practical expedient under FASB Accounting Standards Codification (ASC) Topic 606 whereby revenue is calculated and recognized on these contracts in the amount to which the Organization has a right to invoice for the services performed (an output method utilizing a practical expedient).

Grants and Contributions

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Federal and State Grants

Individual federal and state grant arrangements are evaluated to determine whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. For federal and state grant arrangements that are reciprocal, revenue is recognized as services are provided, which is generally as allowable expenditures are incurred.

Donated Services and In-Kind Donations

Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, if the services: a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are recorded at the respective fair value at the date of the donation. Members of the Board of Directors volunteer their time to assist in governance of the Organization. Additionally, members of the community volunteer their time in mentoring students. Neither of these meet the criteria in order to be recognized. As such, these donated services have not been recorded as donated service revenue and as expenses in the statement of activities and changes in net assets.

Contributed goods are recorded at their estimated fair value at the date of donation. No significant contributions of such goods were received during the year ended October 31, 2025.

Functional Expense Reporting

The cost of program and supporting services activities has been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include a) salaries, payroll taxes, health insurance, and workers compensation, which are allocated using estimates of employee time and effort and b) depreciation and occupancy, which are allocated based on estimates of building usage.

Income Taxes

The Organization qualifies for an exception from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Operating Leases

The Organization accounts for leases under FASB ASC 842, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the statement of financial position. The ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments over that term.

Operating ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives.

The lease term is the noncancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. The Organization has elected the private company alternative available in ASC 842 to use a risk free rate over a similar term in computing the present value of lease payments. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

As permitted by the standard, the Organization elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset. See Note 3 for details.

Estimates

The preparation of financial statements in conformity with U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred.

OPERATION SPARK

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Implementation of Accounting Pronouncement

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduces a practical expedient and, for entities other than public business entities, an accounting policy election to simplify the application of Topic 326, *Financial Instruments - Credit Losses*, to current accounts receivable and current contract assets arising from revenue transactions accounted for under Topic 606, *Revenue from Contracts with Customers*. The Organization early implemented this guidance. The implementation of ASU 2025-05 did not result in a significant impact on the financial statements.

Note 2. Concentrations of Credit Risk

The Organization had three grantors that accounted for 91% of private grants and contributions and technical training grants during the year ended October 31, 2025. Amounts due from these grantors accounted for 99% of grants and contributions receivable at October 31, 2025.

The Organization had three customers that accounted for 100% of student placement income during the year ended October 31, 2025. Amounts due from these customers accounted for 38% of student placement fees receivable at October 31, 2025.

The Organization had one agency that accounted for 100% of federal and state grant revenue during the year ended October 31, 2025. Amounts due from this agency accounted for 100% of federal and state grants receivable at October 31, 2025.

Credit risk associated with grants receivable is considered to be limited due to historical collection rates and because the majority of the outstanding amounts are due from other not-for-profit organizations and state agencies supportive of the Organization's mission.

Program tuition receivable consists of short-term tuition and fees from students, of which the Organization has an unconditional right to receive. Management evaluates the need to write off a receivable based on its review of the aging of the balances and historical collection experience. Management writes off a receivable when it is probable that the receivable is not collectible.

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of October 31, 2025, the Organization's bank balances were approximately \$1,300,000. The Federal Deposit Insurance Corporation covers the total balance of accounts up to \$250,000 per financial institution. Uninsured bank balances totaled approximately \$600,000 as of October 31, 2025. To date, the Organization has not experienced losses as a result of this practice.

OPERATION SPARK

Notes to Financial Statements

Note 3. Lease

In June 2025, the Organization's operating lease for office and classroom space expired and was subsequently renewed for a one-year term extending through June 30, 2026. As the new lease term is 12 months or less, the Organization has elected the short-term lease exemption described in Note 1. Consequently, the Organization does not recognize a right-of-use (ROU) asset or corresponding lease liability on the statement of financial position. Rent under this lease is approximately \$12,569 per month plus additional rent charges to cover real estate taxes and insurance. Total lease expense under this lease during the year ended October 31, 2025 totaled \$150,392.

Note 4. Deferred Compensation Plan

The Organization sponsors a tax-deferred retirement plan (the Plan) covering substantially all employees. The Plan provides that employees may voluntarily contribute up to 100% of their earnings to the Plan, up to the maximum contribution allowed by the Internal Revenue Service (IRS). Employer matching contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Organization may, in its sole discretion, also make a profit-sharing contribution. Employees will receive an allocation if they have completed at least 1,000 hours of service during the Plan year and are employed by the Organization on the last day of the Plan year. The Plan year ends on December 31st. The Organization did not record any expense related to employer matching or profit-sharing contributions during the year ended October 31, 2025.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions on October 31, 2025 were available for the following programs:

Adult Workforce - Purpose and Time Restricted	<u>\$ 286,268</u>
Total	<u><u>\$ 286,268</u></u>

Net assets released from restrictions by incurring expenses satisfying the restricted purpose are as follows for the year ended October 31, 2025:

Adult Workforce - Purpose and Time Restricted	<u>\$ 315,328</u>
Total	<u><u>\$ 315,328</u></u>

OPERATION SPARK

Notes to Financial Statements

Note 6. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted by donor, or subject to board-designated restriction. There were no board-designated restrictions as of October 31, 2025.

Financial Assets	
Cash and Cash Equivalents	\$ 854,459
Certificates of Deposit	484,284
Grants and Contributions Receivable	264,250
Federal and State Grants Receivable	52,591
Student Placement Fees Receivable	26,843
Tuition Receivable, Net of Allowance	<u>523,435</u>
Financial Assets, at Year-End	2,205,862
Less: Those Unavailable for General Expenditure Within One Year, Due to Restrictions by Donors	<u>(286,268)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 1,919,594</u></u>

Note 7. Commitments and Contingencies

The Organization is a recipient of grants from certain non-profit entities which provide funding to the Organization using public funds. These grants are governed by various federal and state guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants is under the control and administration of the Organization and its grantors, and is subject to audit and/or review by the applicable funding sources. Any grant or award of funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

The Organization is exposed to various risks of loss related to torts and theft of, damage to, and destruction of assets for which the Organization carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

OPERATION SPARK

Notes to Financial Statements

Note 8. Deferred Revenue

Deferred revenues consisted of the following at October 31, 2025:

Deferred Adult Program Fees	\$	34,950
Deferred High School Program Fees		94,496
Refundable Advances		<u>64,744</u>
Total Deferred Revenue, End of Year	\$	<u>194,190</u>

The balance of deferred revenue as of October 31, 2025, will be recognized as revenue over the period beginning in November 2025, as services are rendered.

The Organization applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Note 9. Prior Period Adjustment

During the year ended October 31, 2025, the Organization identified a prior period adjustment totaling \$303,692 consisting of a correction related to the depreciation of leasehold improvements. Historically, the Organization depreciated these leasehold improvements over an estimated physical useful life of 15 years, rather than the shorter initial lease term, as required by U.S. GAAP. As a result, accumulated depreciation was understated, and net assets were overstated in prior periods. To correct this error, the Organization recorded a prior period adjustment to decrease the beginning balance of net assets by \$303,692, with a corresponding increase to accumulated depreciation.

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 10, 2026, and determined that no events occurred which require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

OPERATION SPARK
United States Department of Education Composite Score Worksheet
October 31, 2025

Accounts	Enter Amounts	Calculated Fields
<u>Primary Reserve Ratio</u>		
<u>(Expandable Net Assets/Total Expenses)</u>		
Total Assets	\$ 2,300,764	
Total Liabilities	\$ 214,149	
Total Net Assets		\$ 2,086,615
Intangibles	\$ -	
Unsecured Related-Party Receivables	\$ -	
Net Fixed Assets	\$ 70,236	
Long-Term Debt	\$ -	\$ -
Post Employment or Retirement Liability	\$ -	
Expandable Net Assets		\$ 2,016,379
Total Expenses	\$ 2,706,785	\$ 2,706,785
<u>Equity Ratio (Modified Net Assets/Modified Assets)</u>		
Modified Net Assets		\$ 2,086,615
Modified Assets		\$ 2,300,764
<u>Net Income Ratio (Change in Unrestricted Net Assets/Total Unrestricted Revenue)</u>		
Change in Unrestricted Net Assets		\$ (181,552)
Total Unrestricted Revenues	\$ 2,525,233	\$ 2,525,233
If Composite Score < 1.5, HEA Program Funds:	\$ -	

	Ratios	Strength Factor	Weights	Composite Scores
Primary Reserve:	0.7449	3.0000	40%	1.2000
Equity:	0.9069	3.0000	40%	1.2000
Net Income:	-0.0719	-0.7975	20%	-0.1595
Composite Score				<u><u>2.2</u></u>

See independent auditor's report.

OPERATION SPARK
Schedule of Compensation, Benefits, and Other
Payments to Agency Head
For the Year Ended October 31, 2025

Agency Head
John Fraboni, CEO

Purpose	Amount
Salary	\$235,620
Benefits - Insurance	\$3,729
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$760
Travel	\$1,606
Registration Fees	\$775
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses (Mileage)	\$0
Special Meals	\$0

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

See independent auditor's report.



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

Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

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 (*Government Auditing Standards*), the financial statements of Operation Spark (the Organization) (a non-profit organization), which comprise the statement of financial position as of October 31, 2025, the related statements of activities and changes in net assets, 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 April 10, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization'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.

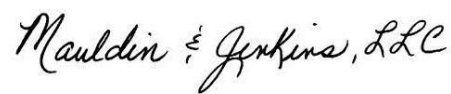
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Covington, LA
April 10, 2026

OPERATION SPARK
Schedule of Findings and Responses
For the Year Ended October 31, 2025

Section I. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements noted? | No |
| 3. Management letter comment provided? | None |

Section II. Internal Control Over Financial Reporting

None.

OPERATION SPARK
Schedule of Prior Year Findings and Responses
For the Year Ended October 31, 2025

Section I. Financial Statements

None.

Section II. Internal Control Over Financial Reporting

None.



AGREED-UPON PROCEDURES REPORT

Operation Spark

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period November 1, 2024 - October 31, 2025

To the Governing Board of Operation Spark
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on Operation Spark's control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2024 through October 31, 2025. Operation Spark's management is responsible for those C/C areas identified in the SAUPs.

Operation Spark has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period November 1, 2024 through October 31, 2025. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Operation Spark determined that procedures #1A(iv) Receipts/Collections, #1A(x), Debt Service, and 1A(xii), Prevention of Sexual Harassment, were not applicable.

We noted the following exceptions: #1A(ii) as (2) was not addressed; #1A(vi) as (3) was not addressed; #1A(ix) as (1) through (4) were not addressed; and #1A(xi) as (3) through (6) were not addressed.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period 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:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were noted as a result of performing these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results:

For procedure #10A(ii), Operation Spark did not have an ethics policy which addressed items #1A(ix) as (1) through (4) in Procedure 1.

For procedure #10A(i), we were unable to perform the test for the employees selected as the ethics training was not completed for any employees during the fiscal year.

We were engaged by Operation Spark to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Operation Spark and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Mauldin & Jenkins, LLC

Covington, LA
April 10, 2026