

SUCCESS PREPARATORY ACADEMY

FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017



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JUNE 30, 2018**

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Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Success Preparatory Academy
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Success Preparatory Academy ("Success Prep") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 Success Prep'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 Success Prep'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 Success Prep as of June 30, 2018 and 2017, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

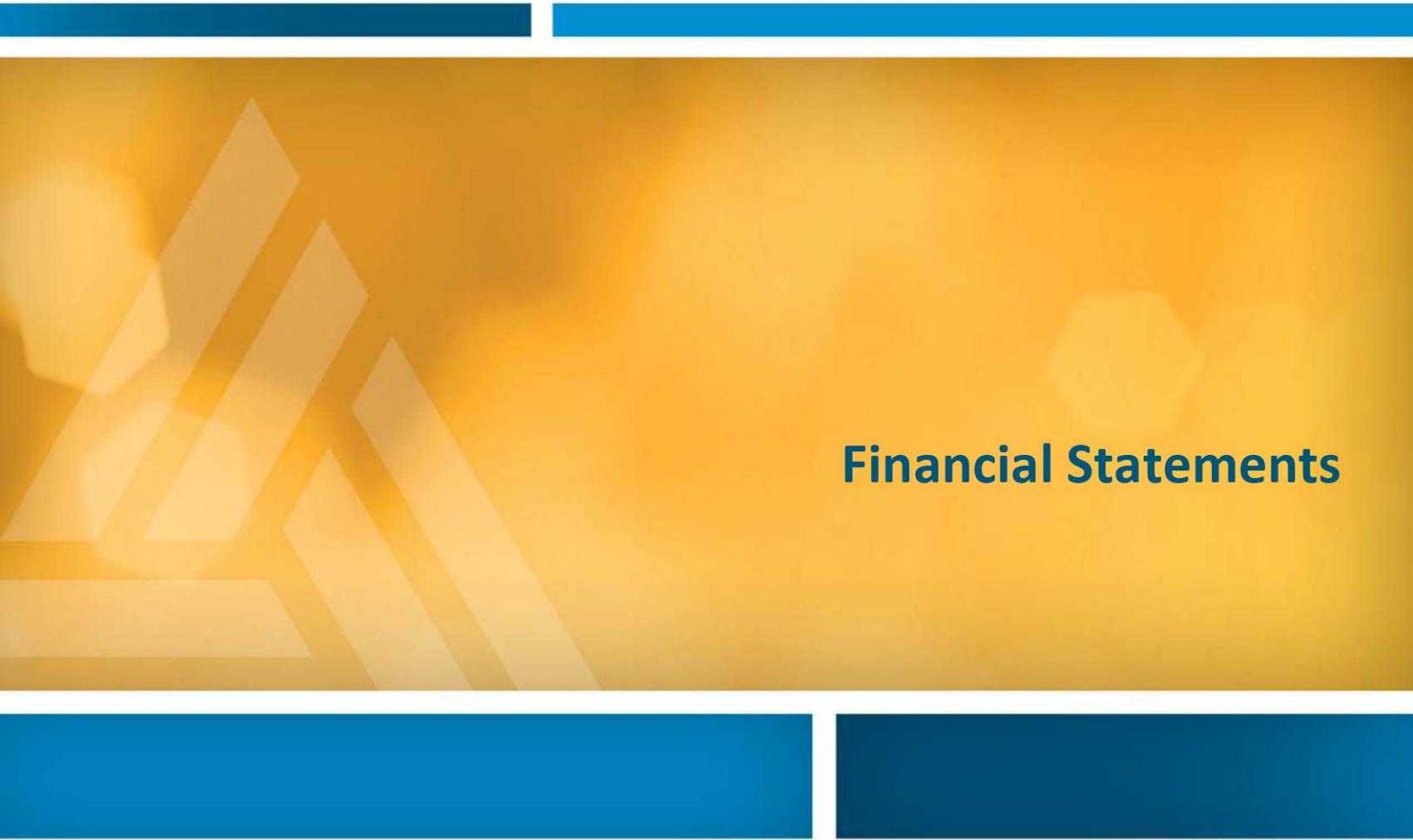
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of agency head compensation is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of 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 26, 2018, on our consideration of Success Prep's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Success Prep's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

December 26, 2018



Financial Statements

**SUCCESS PREPARATORY ACADEMY
STATEMENTS OF FINANCIAL POSITION**

| <i>As of June 30,</i> | 2018 | 2017 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 869,114 | \$ 1,394,392 |
| Grants and other receivables | 291,392 | 468,205 |
| Prepaid expenses | 69,514 | 97,754 |
| Total Current Assets | 1,230,020 | 1,960,351 |
| EQUIPMENT, Net | 4,317 | - |
| NONCURRENT ASSETS | | |
| Deposits | 43,512 | 48,955 |
| Total Noncurrent Assets | 43,512 | 48,955 |
| TOTAL ASSETS | \$ 1,277,849 | \$ 2,009,306 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accrued expenses | \$ 107,412 | \$ 139,398 |
| Accounts payable | 89,672 | 113,132 |
| Total Current Liabilities | 197,084 | 252,530 |
| NET ASSETS | | |
| Unrestricted | 1,048,528 | 1,722,019 |
| Temporarily restricted | 32,237 | 34,757 |
| Total Net Assets | 1,080,765 | 1,756,776 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,277,849 | \$ 2,009,306 |

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

**SUCCESS PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES**

| <i>For the year ended June 30, 2018</i> | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|---------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Local per pupil aid | \$ 2,409,547 | \$ - | \$ 2,409,547 |
| Federal sources | 1,178,670 | - | 1,178,670 |
| State public school funds | 844,476 | - | 844,476 |
| Other state and local sources | 1,587,602 | - | 1,587,602 |
| Donations and contributions | 160,159 | - | 160,159 |
| Net assets released from restrictions | 2,520 | (2,520) | - |
| Total Revenue and Support | 6,182,974 | (2,520) | 6,180,454 |
| EXPENSES | | | |
| Program services | 5,257,462 | - | 5,257,462 |
| Supporting services: | | | |
| Management and general | 1,599,003 | - | 1,599,003 |
| Total Expenses | 6,856,465 | - | 6,856,465 |
| CHANGE IN NET ASSETS | (673,491) | (2,520) | (676,011) |
| NET ASSETS, Beginning of year | 1,722,019 | 34,757 | 1,756,776 |
| NET ASSETS, End of year | \$ 1,048,528 | \$ 32,237 | \$ 1,080,765 |

The accompanying footnotes are an integral part of this financial statement.

**SUCCESS PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES**

| <i>For the year ended June 30, 2017</i> | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|-----------------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Local per pupil aid | \$ 2,543,458 | \$ - | \$ 2,543,458 |
| Federal sources | 1,247,745 | - | 1,247,745 |
| State public school funds | 1,030,231 | - | 1,030,231 |
| Other state and local sources | 1,453,188 | - | 1,453,188 |
| Donations and contributions | 140,284 | - | 140,284 |
| Net assets released from restrictions | 2,416 | (2,416) | - |
| Total Revenue and Support | 6,417,322 | (2,416) | 6,414,906 |
| EXPENSES | | | |
| Program services | 5,091,805 | - | 5,091,805 |
| Supporting services: | | | |
| Management and general | 1,524,701 | - | 1,524,701 |
| Total Expenses | 6,616,506 | - | 6,616,506 |
| CHANGE IN NET ASSETS | (199,184) | (2,416) | (201,600) |
| NET ASSETS, Beginning of year | 1,921,203 | 37,173 | 1,958,376 |
| NET ASSETS, End of year | \$ 1,722,019 | \$ 34,757 | \$ 1,756,776 |

The accompanying footnotes are an integral part of this financial statement.

**SUCCESS PREPARATORY ACADEMY
STATEMENT OF FUCTIONAL EXPENSES**

| <i>For the year ended June 30, 2018</i> | Program Services | Supporting Services Management and General | Total |
|---|---------------------|---|---------------------|
| Salaries and benefits | \$ 4,120,022 | \$ 241,093 | \$ 4,361,115 |
| Bus service | 54,105 | 512,163 | 566,268 |
| Professional services | 401,868 | 126,470 | 528,338 |
| Food service | 441,436 | 11,372 | 452,808 |
| Purchased property services | - | 359,712 | 359,712 |
| Supplies | 190,007 | 22,127 | 212,134 |
| Dues and fees | - | 126,846 | 126,846 |
| Utilities | - | 65,416 | 65,416 |
| Insurance | - | 42,185 | 42,185 |
| Advertising | - | 38,624 | 38,624 |
| Printing | 32,234 | - | 32,234 |
| Telephone and postage | 267 | 28,819 | 29,086 |
| Miscellaneous | - | 17,248 | 17,248 |
| Travel | 8,818 | 6,166 | 14,984 |
| Textbooks | 8,705 | - | 8,705 |
| Depreciation | - | 762 | 762 |
| TOTAL EXPENSES | \$ 5,257,462 | \$ 1,599,003 | \$ 6,856,465 |

The accompanying footnotes are an integral part of this financial statement.

**SUCCESS PREPARATORY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES**

| <i>For the year ended June 30, 2017</i> | Program Services | Supporting Services Management and General | Total |
|---|---------------------|---|---------------------|
| Salaries and benefits | \$ 3,939,606 | \$ 230,536 | \$ 4,170,142 |
| Bus service | 51,423 | 486,773 | 538,196 |
| Professional services | 384,800 | 140,909 | 525,709 |
| Food service | 467,889 | 12,054 | 479,943 |
| Purchased property services | - | 367,241 | 367,241 |
| Supplies | 133,730 | 20,290 | 154,020 |
| Dues and fees | 1,418 | 134,421 | 135,839 |
| Utilities | - | 62,285 | 62,285 |
| Miscellaneous | 40,941 | 1,000 | 41,941 |
| Textbooks | 41,825 | - | 41,825 |
| Insurance | - | 36,354 | 36,354 |
| Printing | 29,563 | - | 29,563 |
| Telephone and postage | 375 | 25,916 | 26,291 |
| Advertising | - | 3,934 | 3,934 |
| Travel | 235 | 2,988 | 3,223 |
| TOTAL EXPENSES | \$ 5,091,805 | \$ 1,524,701 | \$ 6,616,506 |

The accompanying footnotes are an integral part of this financial statement.

**SUCCESS PREPARATORY ACADEMY
STATEMENTS OF CASH FLOWS**

| <i>As of June 30,</i> | 2018 | 2017 |
|--|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Decrease in net assets | \$ (676,011) | \$ (201,600) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | | |
| Depreciation expense | 762 | - |
| Changes in operating assets and liabilities: | | |
| Grants and other receivables | 176,813 | (166,618) |
| Prepaid expenses | 28,240 | (42,244) |
| Other receivables | - | 26,783 |
| Deposits | 5,443 | - |
| Accrued expenses | (31,986) | 81,545 |
| Accounts payable | (23,460) | 43,376 |
| Net cash used by operating activities | (520,199) | (258,758) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (5,079) | - |
| Net cash used in investing activities | (5,079) | - |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (525,278) | (258,758) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 1,394,392 | 1,653,150 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 869,114 | \$ 1,394,392 |

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

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Success Preparatory Academy ("Success Prep") (a nonprofit organization) was incorporated in the Fall of 2008 for the purpose of operating a transformation charter school in New Orleans, Louisiana. Success Prep was created to develop college bound students for leadership and lifelong learning. The State Board of Elementary and Secondary Education (BESE) granted Success Prep a Type 5 charter to operate Success Preparatory Academy in December 2008. In June 2014, a new charter was issued by the Department of Education, extending through June 2019.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The allocation between the functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook ("LAUGH").

Income Tax Status

Success Prep is a Louisiana nonprofit organization under Section 509(a)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundation. Success Prep's management believes that Success Prep continues to operate in a manner that preserves its tax exempt status.

Public Support and Revenue

Success Prep receives its support primarily from the Louisiana State Department of Education and the United States Department of Education.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue (Continued)

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

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

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less.

Grants and Other Receivables and Allowance for Doubtful Accounts

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At June 30, 2018 and 2017, management did not deem any receivables to be uncollectible; therefore no allowance was recorded.

Equipment

Success Prep's policy is to capitalize equipment over \$5,000 with a useful life greater than one year. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donated property and equipment is recorded at estimated fair market value as of the date received.

Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset. The useful life of equipment ranges from three to seven years.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

Success Prep reviews long-lived assets, consisting of property and equipment and cost in excess of net income acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. Success Prep determines recoverability of assets by comparing the carrying value of the asset to the net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during 2018 or 2017.

Basis of Presentation

Success Prep follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into three separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by Success Prep is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of Success Prep pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by Success Prep is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of Success Prep.

Recent Financial Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The changes primarily focus in on Lessee, not Lessor. The concepts of capital and operating leases are maintained but the primary difference to previous GAAP is recognition of assets and liabilities for leases classified as operating leases. The ASU is effective for fiscal year-ending June 30, 2021, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Success Prep's financial statements. Success Prep has not elected to early adopt this standard.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Financial Accounting Pronouncements (Continued)

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, Success Prep will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal year-ending June 30, 2019, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of Success Prep's financial statements. Success Prep has not elected to early adopt this standard.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230). The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. GAAP currently does not include specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. Specifically, there is no guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. The amendments in this Update are an improvement to GAAP because they provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice described above. The ASU is effective for fiscal year-ending June 30, 2020, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of Success Prep's financial statements. Success Prep has not elected to early adopt this standard.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS

Success Prep maintains its cash balances at a national financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ended June 30, 2018 and 2017. At June 30, 2018 and 2017, Success Prep’s cash deposits exceeded the Federal Deposit Insurance Corporation limits by \$857,412 and \$1,187,144 respectively.

NOTE 3 – GRANTS AND OTHER RECEIVABLES

Grants and other receivables are deemed to be fully collectible by management and were comprised of the following as of June 30, 2018 and 2017:

| | 2018 | 2017 |
|--|------------|------------|
| Child and Adult Care Food Program | \$ - | \$ 30,324 |
| High Cost Services | 32,658 | 48,613 |
| National School Lunch Program | 54,581 | 91,016 |
| SRTS | 11,718 | - |
| 8G | 3,975 | - |
| IDEA B | 29,413 | 45,843 |
| IDEA Pre-School | - | 3,379 |
| Preschool Expansion | 8,347 | 13,080 |
| Teacher Incentive Fund | 15,482 | 12,778 |
| Title I | - | 92,593 |
| Title I - Homeless Children | - | 3,256 |
| Title I - School Improvement Grant | 104,451 | 105,164 |
| Title II | 8,657 | 10,695 |
| Title III | 5,822 | 4,299 |
| Trauma Informed Schools Learning Collaborative | - | 5,000 |
| Private Donors | - | 2,165 |
| Grants receivable | 275,104 | 468,205 |
| Other receivables | 16,288 | - |
| Total Grants and Other Receivables | \$ 291,392 | \$ 468,205 |

**SUCCESS PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 – EQUIPMENT

Equipment is as follows as of June 30, 2018 and 2017:

| | 2018 | 2017 |
|--------------------------------|----------|------|
| Equipment | \$ 5,079 | \$ - |
| Less: accumulated depreciation | (762) | - |
| Equipment, net | \$ 4,317 | \$ - |

For the year ended June 30, 2018, Success Prep had \$762 in depreciation expense. There was no depreciation expense for the year ended June 30, 2017.

NOTE 5 – RETIREMENT PLANS

Substantially all employees of Success Prep are members of an employer sponsored Safe Harbor 401(k) plan. Covered employees may elect to contribute a portion of their salaries to the plan. Success Prep’s matching contribution to the plan equals 100% of the salary deferral contributions that the employee makes up to the first 4% of the participant’s compensation. Participants are immediately vested in both employee and employer contributions. Success Prep made contributions to plan of \$80,190 and \$72,181 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 – COMPENSATED ABSENCES

Academic Year Employees:

All academic year employees (teachers, interventionists, therapists, teaching assistants, and paraprofessionals) are granted four (4) sick days and three (3) personal days at the beginning of each year. These days are to be used in case of illness or any other reason an employee needs a day off. If an employee starts in the second half of the school year (January through June), personal leave/sick days are pro-rated to half the normal amount. Unused sick days will not roll forward at the end of the year (June 30th) and may not be redeemed for additional compensation at the end of the year or upon termination of employment. Personal days may be carried forward into future years but may not be redeemed for additional compensation or upon termination of employment.

Year-Round Staff:

Year-round staff (operations staff and the school leadership team) work throughout the year and observe all school holidays, in addition to Memorial Day and Fourth of July during the summer. Like academic year employees, all year-round Success Prep employees are granted four (4) sick days and three (3) personal days at the beginning of each year, subject to the same terms as those for academic year employees.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LEASE AGREEMENT

Success Prep has entered into a rent-free lease agreement with the State of Louisiana Department of Education, Recovery School District (the “RSD”) for the period from July 1, 2014 through June 30, 2019 for the use of Albert D. Wicker Elementary main buildings, cafeteria and grounds as school facilities. The RSD has reserved the right to impose rent in subsequent years. The amount of the rent-free lease, which is recorded as an in-kind donation, has been valued based on a schedule included in the signed lease agreement indicating fees that would be charged to nonprofit organizations for rental of the building totaling \$94,900 for each of the years ended June 30, 2018 and 2017. Success Prep is responsible for the payment of utilities, janitorial, disposal services, and property taxes.

The lease agreement states the RSD may move Success Prep at any time as long as the RSD provides another facility deemed reasonable, taking into consideration such factors as building capacity, design alignment with grade levels served by Success Prep, projected enrollment, program specific needs, and community needs.

Success Prep may terminate this agreement upon 30 days’ notice to relocate its school to a non-RSD facility. The RSD may terminate this agreement with cause prior to the end of the specified term in the event Success Prep fails to remedy a material breach within a period reasonable under the circumstances, but not less than 15 days after notice from the RSD.

In May 2018, Success Prep agreed to move in August 2018 to the Thurgood Marshall school building on Canal St. as part of the Recovery School District/Orleans Parish School Board Master Plan. A new lease between Success Prep and Orleans Parish School Board was signed for the July 1, 2018 to June 30, 2019 school year with an option to renew for an additional year.

Use of the Thurgood Marshall school building, property, and equipment will not be recorded as an in-kind contribution from the OPSB as the value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

NOTE 8 – OPERATING LEASES

Success Prep has entered into operating leases for the rental of copiers and printers. The leases are for forty-eight (48) months. Rental payments under these leases were \$21,099 and \$19,507 for the years ended June 30, 2018 and 2017, respectively. Future minimum commitments under the operating lease agreements are as follows:

**SUCCESS PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 – OPERATING LEASES (CONTINUED)

| <i>Year Ending June 30,</i> | Amount |
|-----------------------------|---------------|
| 2019 | \$ 17,298 |
| 2020 | 5,351 |
| 2021 | 3,645 |
| 2022 | 911 |
| | \$ 27,205 |

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30,:

| | 2018 | 2017 |
|---|-------------|-----------|
| Ben Blanchard Grant – Mentoring Program | \$ 32,237 | \$ 34,757 |
| Total Temporarily Restricted Net Assets | \$ 32,237 | \$ 34,757 |

NOTE 10 – UNCERTAIN TAX POSITIONS

Accounting principles generally accepted in the United States of America require Success Prep’s management to evaluate tax positions taken by Success Prep and recognize a tax liability if Success Prep has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Success Prep’s management has analyzed the tax positions taken by Success Prep, and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Success Prep is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 11 – SIGNIFICANT CONCENTRATIONS

For the years ended June 30, 2018 and 2017, Success Prep received approximately 18% and 20%, respectively, of its total revenue from federal sources and approximately 79% and 78%, respectively, of its total revenue from state and local public school funds and other state and local sources.

SUCCESS PREPARATORY ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – CONTINGENCIES

State Funding – The continuation of Success Prep is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

At June 30, 2018 and 2017, Success Prep was not a defendant or co-defendant in any lawsuits arising from the normal course of operations.

Facility Operating Costs - As disclosed in Note 7, Success Prep leased space at Albert D. Wicker Elementary from the Louisiana State Department of Education through its Recovery School District (“RSD”). As disclosed in Note 7, the RSD and Success Prep reached an agreement as to what costs related to the lease of Success Prep’s building would be charged to Success Prep.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 26, 2018, the date the financial statements were available to be issued.

Subsequent to year end Success Prep moved to the Thurgood Marshall school building on Canal St. as part of the Recovery School District/Orleans Parish School Board Master Plan.

Success Prep’s Charter is scheduled for renewal following the performance review of the 2017-2018 school year.

Except for the events noted above, no other events material to the financial statements have been noted for disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Supplementary Information

**SUCCESS PREPARATORY ACADEMY
SCHEDULE OF AGENCY HEAD COMPENSATION
FOR THE YEAR ENDED JUNE 30, 2018**

Agency Head Name: Niloy Gangopadhyay, Chief Executive Officer

| PURPOSE | AMOUNT |
|--------------------------------|-------------------|
| Salary | \$ 127,100 |
| Benefits-Fica & Medicare | 9,548 |
| Benefits-retirement | 5,004 |
| Benefits-health insurance | 4,940 |
| Travel | 1,527 |
| Cell phone | 563 |
| Benefits-life insurance | 12 |
| Registration fees | - |
| Vehicle rental | - |
| Deferred compensation | - |
| Workers comp | - |
| Benefits-long term disability | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Dues | - |
| Per diem | - |
| Reimbursements | - |
| Conference travel | - |
| Unvouchered expenses | - |
| Meetings & conventions | 68 |
| Other | - |
| Total | \$ 148,762 |

See independent auditors' report.



**REPORTS AND SCHEDULES
REQUIRED BY *GOVERNMENT*
AUDITING STANDARDS AND THE
*UNIFORM GUIDANCE***



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INDEPENDENT AUDITORS' 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*

Board of Directors
Success Preparatory Academy
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Success Preparatory Academy ("Success Prep") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Success Prep'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 Success Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of the Success Prep'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 Success Prep'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 Success Prep'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 Success Prep's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Success Prep's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

December 26, 2018



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

Board of Directors
Success Preparatory Academy
New Orleans, Louisiana

Report on Compliance for the Major Federal Program

We have audited Success Preparatory Academy's ("Success Prep") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Success Prep's major federal program for the year ended June 30, 2018. Success Prep's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Success Prep's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about Success Prep's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Success Prep's compliance.

Opinion on Each Major Federal Program

In our opinion, Success Prep complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Success Prep is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Success Prep's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Success Prep's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

December 26, 2018

SUCCESS PREPARATORY ACADEMY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| <i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Entity Identifying Number</i> | <i>Federal Expenditures (\$)</i> | <i>Amount Passed Through to Subrecipient</i> | <i>Total Federal Expenditures (\$)</i> |
|---|----------------------------|---|----------------------------------|--|--|
| <u>United States Dept. of Education/Louisiana Department of Education</u> | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | | \$ 355,551 | \$ - | \$ 355,551 |
| English Language Acquisition State Grants | 84.365 | | 5,822 | - | 5,822 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | | 38,705 | - | 38,705 |
| Student Support and Academic Enrichment Program | 84.424 | | 10,000 | - | 10,000 |
| Preschool Development Grants | 84.419B | | 49,768 | - | 49,768 |
| <u>United States Dept. of Education/Louisiana Department of Education/Special Education Cluster</u> | | | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | | 108,896 | - | 108,896 |
| Special Education - Preschool Grants | 84.173 | | 3,522 | - | 3,522 |
| Total Special Education Cluster | | | 112,418 | - | 112,418 |
| <u>United States Dept. of Education/New Schools for New Orleans</u> | | | | | |
| Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund) | 84.374 | | 82,492 | - | 82,492 |
| Total Department of Education | | | 654,756 | - | 654,756 |
| <u>United States Dept. of Agriculture/Louisiana Department of Education/Child Nutrition Cluster</u> | | | | | |
| National School Lunch Program | 10.555 | | 206,905 | - | 206,905 |
| School Breakfast Program | 10.553 | | 97,877 | - | 97,877 |
| Summer Food Services Program for Children | 10.559 | | 7,832 | - | 7,832 |
| Total Child Nutrition Cluster | | | 312,614 | - | 312,614 |
| <u>United States Dept. of Agriculture/Louisiana Department of Education</u> | | | | | |
| Child and Adult Care Food Program | 10.558 | | 175,971 | - | 175,971 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | | 5,079 | - | 5,079 |
| Total Department of Agriculture | | | 493,664 | - | 493,664 |
| <u>U.S. Department of Transportation/Louisiana Department of Transportation</u> | | | | | |
| Safe Routes to School Grant | 20.607 & 20.608 | | 30,765 | - | 30,765 |
| Total Department of Transportation | | | 30,765 | - | 30,765 |
| Total Expenditures of Federal Awards | | | \$ 1,179,185 | \$ - | \$ 1,179,185 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**SUCCESS PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Success Preparatory Academy (“Success Prep”) (a nonprofit organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Success Prep has not elected to use the 10% de minimis indirect rate allowed under the Uniform Guidance.

NOTE 2 – RECONCILIATION OF FEDERAL EXPENDITURES TO FEDERAL REVENUE

Below is a reconciliation of the Schedule of Expenditures of Federal Award to the Federal Revenues as presented on the Statement of Activities for the year ended June 30, 2018:

For the year ended June 30, 2018

| | |
|----------------------------------|---------------------|
| Total Federal Expenditures | \$ 1,179,185 |
| Reimbursements not yet requested | (515) |
| Total Federal Revenues | <u>\$ 1,178,670</u> |

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in Success Prep’s basic financial statements as program revenues.

NOTE 4 – LOAN

Success Prep did not expend federal awards related to loans or loan guarantees during the year.

NOTE 5 – FEDERALLY FUNDED INSURANCE

Success Prep has no federally funded insurance.

NOTE 6 – NONCASH ASSISTANCE

Success Prep did not receive any federal noncash assistance for the fiscal year ended June 30, 2018.



**SUCCESS PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – ON-BEHALF PAYMENTS

The School submitted \$203,906 in claims on behalf of Bricolage Academy for the Child Nutrition Cluster and remitted those amounts to Bricolage Academy once received. These amounts are not included in the schedule of federal expenditures as they were not federal expenditures of Success Preparatory Academy.

**SUCCESS PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I – SUMMARY OF AUDITORS’ RESULTS

- The independent auditors’ report expresses an unmodified opinion on the financial statements of Success Preparatory Academy.
- No instances of noncompliance material to the financial statements of Success Prep, which would be required to be disclosed under *Government Auditing Standards*, were disclosed and identified during the audit.
- No significant deficiencies relating to the audit of the major federal award program are reported in the *Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance*.
- The *Independent Auditors’ Report on Compliance for the Major Program and on Internal Control Over compliance required by the Uniform Guidance* expresses an unmodified opinion on the major federal program.
- There were no findings that are required to be reported in accordance with Uniform Guidance.
- A management letter was not issued for the year ended June 30, 2018.
- The program tested as a major program for the year ended June 30, 2018 was:

| <u>Program Title</u> | <u>CFDA No.</u> |
|-------------------------|----------------------|
| Child Nutrition Cluster | 10.553/10.555/10.559 |

- The threshold used to distinguish between Type A and Type B programs was \$750,000.
- Success Preparatory Academy qualified as a low-risk auditee.

II – FINDINGS RELATED TO FINANCIAL STATEMENT COMPLIANCE

None Noted.

III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAM

None Noted.

IV – MANAGEMENT LETTER

None noted.



SUCCESS PREPARATORY ACADEMY SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

I – FINDINGS RELATED TO FINANCIAL STATEMENT COMPLIANCE

None noted.

II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAM

2017-001: Timely Submission of Data Collection Form

Condition: Success was required to submit the 2016 audit package and data collection form to the Federal Audit Clearinghouse by January 17, 2018.

Criteria: Uniform Guidance 2 CFR 200.512(a) states that the audit package and data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year, whichever comes first.

Effect: Late submission can result in withholding of federal pass-through funding to the auditee and precludes the auditee from being considered a low-risk auditee for the subsequent two (2) years.

Cause: A clerical oversight resulted in late submission of the audit package and data collection form.

Status: Resolved.

III – MANAGEMENT LETTER

None noted.



**SCHEDULES REQUIRED BY STATE
LAW (PERFORMANCE STATISTICAL
DATA)**

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

To the Success Preparatory Academy, the Louisiana Department of Education, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Success Preparatory Academy (Success Prep) 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 Success Prep for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514 I. Management of the Success Prep 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 results related to the accompanying schedules of supplementary information and 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 the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Results: No exceptions noted in performing this procedure.

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 random sample of 10 classes to the October 1, 2017 roll books for those classes and determined that the class was properly classified on the schedule.

Results: CRI noted one “Elementary Activity Class” which was reported as an “Elementary” class on the Class Size Characteristics Report.

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

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

Results: No exceptions noted in performing this procedure.

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).

Results: CRI noted one employee who received extra compensation during the year which was not reported on the June 30, 2018 PEP Report.

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 Success Prep, 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.

Cam, Riggs & Ingram, L.L.C.

December 26, 2018

Success Preparatory Academy
Schedule 1 - General Fund Instructions And Support Expenditures
And Certain Local Revenue Sources
For the Year Ended June 30, 2018

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

| | |
|--|--------------|
| Teacher and student interaction activities: | |
| Classroom teacher salaries | \$ 1,854,487 |
| Other instructional staff activities | 369,492 |
| Instructional Staff Employee benefits | 407,657 |
| Purchased professional and technical services | 161,629 |
| Instructional materials and supplies | 184,714 |
| Less instructional equipment | (762) |
| Total teacher and student interaction activities | \$ 2,977,217 |
| Other instructional activities | 97,955 |
| Pupil support activities | |
| Less equipment for pupil support activities | - |
| Net pupil support activities | - |
| Instructional Staff Services | |
| Less equipment for instructional staff services | - |
| Net instructional staff services | 334,824 |
| School Administration | |
| Less: Equipment for School Administration | - |
| Net school administration | 356,789 |
| Total general fund instructional expenditures | |
| | \$ 3,766,785 |
| Total general fund equipment expenditures | |
| | \$ 762 |

Certain Local Revenue Sources

Local taxation revenue:

| | |
|--|------|
| Constitutional ad valorem taxes | \$ - |
| Renewable ad valorem tax | - |
| Debt service ad valorem tax | - |
| Up to 1% of collections by the Sheriff on taxes other than school taxes | - |
| Sales and use taxes | - |
| Total local taxation revenue | \$ - |
| Local earnings on investment in real property: | |
| Earnings from 16th section property | \$ - |
| Earnings from other real property | - |
| Total local earnings on investment in real property | \$ - |
| State revenue in lieu of taxes: | |
| Revenue sharing—constitutional tax | \$ - |
| Revenue sharing—other taxes | - |
| Revenue sharing—excess portion | - |
| Other revenue in lieu of taxes | - |
| Total state revenue in lieu of taxes | |
| | \$ - |
| Nonpublic textbook revenue | |
| | \$ - |
| Nonpublic transportation revenue | |
| | \$ - |

See independent accountants' report on applying agreed-upon procedures.

Success Preparatory Academy
Schedule 2 - Class Size Characteristics
For the Year Ended June 30, 2018

As of October 1, 2017

| School Type | Class Size Range | | | | | | | |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 86% | 118 | 14% | 19 | - | - | - | - |
| Elementary Activity Classes | 82% | 14 | 17% | 3 | - | - | 1% | 1 |
| Middle/Jr. High | - | - | - | - | - | - | - | - |
| Middle/Jr. High Activity Classes | - | - | - | - | - | - | - | - |
| High | - | - | - | - | - | - | - | - |
| High Activity Classes | - | - | - | - | - | - | - | - |
| Combination | - | - | - | - | - | - | - | - |
| Combination Activity Classes | - | - | - | - | - | - | - | - |

Note: The Board of Elementary and Secondary Education (BESE) has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See independent accountants' report on applying agreed-upon procedures.

Success Preparatory Academy
Statewide Agreed-Upon Procedures Report
For the Year Ended June 30, 2018



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**Success Preparatory Academy
Table of Contents
June 30, 2018**

REPORT REQUIRED BY THE LOUISIANA LEGISLATIVE AUDITOR

Independent Accountants' Report on Applying Agreed-Upon Procedures

1



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Success Preparatory Academy
New Orleans, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Success Preparatory Academy (a nonprofit organization) (the "School") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The School 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the School's written policies and procedures and observe that they address each of the following categories and subcategories:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
Results: No exceptions were found as a result of applying the procedure.
 - 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; and (4) documentation required to be maintained for all bids and price quotes.
Results: No exceptions were found as a result of applying the procedure.
 - c) ***Disbursements***, including processing, reviewing, and approving.
Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

- g) **Credit Cards (including debit cards)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

Board

2. Obtain and inspect the board minutes for the fiscal period, as well as the bylaws in effect during the fiscal period, and:

- a) Observe that the board met with a quorum on a frequency in accordance with the bylaws.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the minutes referenced or included financial activity relating to public funds as those public funds comprised more than 10% of the School's collections during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

Collections

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Select the one deposit site.

Results: CRI noted one deposit site. No exceptions were found as a result of applying the procedure.

4. For the one deposit site, obtain a listing of collection locations and management's representation that the listing is complete. Select the one collection location for the one

deposit site, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Results: No exceptions were found as a result of applying the procedure.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Results: No exceptions were found as a result of applying the procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee is responsible for reconciling collection documentation to the deposit.

Results: No exceptions were found as a result of applying the procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger, unless another employee is responsible for reconciling ledger postings to each other and to the deposit.

Results: No exceptions were found as a result of applying the procedure.

- d) The employees responsible for reconciling cash collections to the general ledger by revenue source are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedure.

- 5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were found as a result of applying the procedure.

- 6. Randomly select two deposit dates for the main operating account and the three additional accounts. Obtain supporting documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the procedure.

- b) Trace sequentially pre-numbered receipts, system reports, or other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the procedure.

- d) Observe that the deposit was made within one business day of collection (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Results: Six (6) of ten (10) collections selected were not deposited within one business day of collection.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Select the one location.

Results: No exceptions were found as a result of applying the procedure.

8. For the one location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: No exceptions were found as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employees is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of applying the procedure.

- d) The employee responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: There is not proper segregation of duties such that the employee responsible for processing payment does also mail signed checks.

9. For the one location selected under #7 above, obtain the School's non-payroll disbursement transaction population and obtain management's representation that the population is complete. Randomly select ten (10) disbursements, obtain supporting documentation for each transaction and:

Results: No exceptions were found as a result of applying the procedure.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

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 procedures performed on those C/C areas identified in the SAUPs, and the result of the procedures performed, 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.

Caru, Riggs & Ingram, L.L.C.

December 26, 2018