

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES

FINANCIAL STATEMENTS

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

December 18, 2018

To the Board of Directors
New Orleans College Preparatory Academies
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans College Preparatory Academies (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans College Preparatory Academies as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to the agency head 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of New Orleans College Preparatory Academies' 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 New Orleans College Preparatory Academies' internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

| | |
|--------------------------------|-------------------------|
| Cash and cash equivalents | \$ 598,540 |
| Governmental grant receivables | 1,144,470 |
| Private grant receivables | 320,522 |
| Other receivables | 18,342 |
| Prepaid expenses | 82,707 |
| Investments | <u>126,926</u> |
| Total current assets | <u>2,291,507</u> |

Property and Equipment:

| | |
|--|-------------------------|
| Buildings and improvements | 1,323,973 |
| Furniture and equipment | 437,813 |
| Accumulated depreciation | <u>(728,775)</u> |
| Total property and equipment, net | <u>1,033,011</u> |

Total assets **\$ 3,324,518**

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|----------------------------------|-------------------------|
| Accounts payable | \$ 844,445 |
| Salaries and benefits payable | 224,536 |
| Line of credit | 600,000 |
| Note payable | <u>65,371</u> |
| Total current liabilities | <u>1,734,352</u> |

Long-term Liabilities:

| | |
|------------------------------------|-----------------------|
| Note payable | <u>623,483</u> |
| Total long-term liabilities | <u>623,483</u> |

Total liabilities **2,357,835**

Net assets:

| | |
|-----------------------------------|-----------------------|
| Unrestricted net assets | 621,051 |
| Temporarily restricted net assets | <u>345,632</u> |
| Total net assets | <u>966,683</u> |

Total liabilities and net assets **\$ 3,324,518**

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

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Revenues: | | | | |
| State public school funding | \$ 13,363,187 | \$ - | \$ - | \$ 13,363,187 |
| Federal sources | 4,822,135 | - | - | 4,822,135 |
| Other state funding | 186,927 | - | - | 186,927 |
| Contributions and donations | 1,051,178 | - | - | 1,051,178 |
| Other income | 754,477 | - | - | 754,477 |
| Student activity revenue | 7,512 | - | - | 7,512 |
| Net assets released from restrictions | <u>345,632</u> | <u>(345,632)</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>20,531,048</u> | <u>(345,632)</u> | <u>-</u> | <u>20,185,416</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education programs | 4,438,094 | - | - | 4,438,094 |
| Special education programs | 2,424,079 | - | - | 2,424,079 |
| Other instructional programs | 1,435,463 | - | - | 1,435,463 |
| Special programs | 1,737,701 | - | - | 1,737,701 |
| Pupil support services | 1,072,241 | - | - | 1,072,241 |
| Instructional staff services | 1,763,629 | - | - | 1,763,629 |
| School administration | 2,036,094 | - | - | 2,036,094 |
| Student transportation services | 1,053,170 | - | - | 1,053,170 |
| Food services | 931,978 | - | - | 931,978 |
| Career and technical education programs | <u>61,939</u> | <u>-</u> | <u>-</u> | <u>61,939</u> |
| Total Program Services | <u>16,954,388</u> | <u>-</u> | <u>-</u> | <u>16,954,388</u> |
| Support services: | | | | |
| General administration | 134,909 | - | - | 134,909 |
| Business administration | 375,326 | - | - | 375,326 |
| Operations and maintenance of plant | 2,342,879 | - | - | 2,342,879 |
| Central services | <u>513,408</u> | <u>-</u> | <u>-</u> | <u>513,408</u> |
| Total Support Services | <u>3,366,522</u> | <u>-</u> | <u>-</u> | <u>3,366,522</u> |
| Total Expenses | <u>20,320,910</u> | <u>-</u> | <u>-</u> | <u>20,320,910</u> |
| Change in net assets | 210,138 | (345,632) | - | (135,494) |
| Net assets, beginning of year | <u>756,545</u> | <u>345,632</u> | <u>-</u> | <u>1,102,177</u> |
| Net assets, end of year | <u>\$ 966,683</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 966,683</u> |

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

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ (135,494) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 167,686 |
| Unrealized appreciation on investments | (79,277) |
| Increase in governmental grant receivables | (502,368) |
| Decrease in private grant receivables | 382,055 |
| Increase in prepaid expense | (51,560) |
| Increase in accounts payable | 71,148 |
| Increase in salaries and benefits payable | 115,481 |
| Net cash (used) by operating activities | <u>(32,329)</u> |
| Cash Flows from Investing Activities: | |
| Purchase of property and equipment | (834,388) |
| Net cash (used) by investing activities | <u>(834,388)</u> |
| Cash Flows from Financing Activities: | |
| Draws on line of credit | 4,995,000 |
| Payments on line of credit | (4,395,000) |
| Proceeds from note payable | 179,065 |
| Payments on note payable | (15,726) |
| Net cash provided by financing activities | <u>763,339</u> |
| Net decrease in cash and cash equivalents | (103,378) |
| Cash and cash equivalents, beginning of year | <u>701,918</u> |
| Cash and cash equivalents, end of year | <u>\$ 598,540</u> |

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

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Policies

New Orleans College Preparatory Academies (the School) was created as a non-profit organization under the laws of the State of Louisiana on November 6, 2006. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 5 charter school. On May 24, 2007, BESE approved the charter. For the year ended June 30, 2018, the School operated the Type 5 charter schools as shown in the table below. At June 30, 2018, Sylvania Williams College Prep ceased operations due to non-renewal of its charter.

| <u>Location</u> | <u>Expiration of the Charter Agreement</u> |
|--------------------------------|--|
| Sylvania Williams College Prep | June 30, 2018 |
| Cohen College Prep | June 30, 2023 |
| Crocker College Prep | June 30, 2021 |

The School serves eligible students in pre-kindergarten through twelfth grade.

The School leases its buildings rent free from the Louisiana Recovery School District.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted Net Assets – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

Temporarily Restricted Net Assets – assets whose restrictions lapse with the passage of time and/or purpose.

Permanently Restricted Net Assets – assets whose restrictions do not lapse with the passage of time.

Investments

Investments consist of publicly-traded stock. Investments are carried at fair value based on quoted market prices in active markets. This value is considered a Level 1 input under the Financial Accounting Standards Board’s ASC 820.

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

The School's primary sources of funding are through federal and state grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Property and Equipment

Property and equipment acquisitions greater than \$5,000 are recorded at historical cost or estimated historical cost if historical cost is not available. Depreciation is calculated using the straight line method with useful lives of 5 years. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

For the year ended June 30, 2018, depreciation expense was \$167,686.

Income Taxes

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

Cash and Cash Equivalents

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

Paid Time Off

Full-time employees are eligible to earn paid time off in addition to school holidays and break periods. Paid time off begins to accrue on the first day an employee works for the school. Paid time off cannot be rolled over to the following year and is paid out at the rate of \$125 per day or at a daily rate whichever is greater at the end of each year. At June 30, 2018, the School's liability for paid time off was \$-0-.

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – Cash and cash equivalents

At June 30, 2018, cash consists of demand deposits in a local bank of \$598,540.

The School maintains cash balances at various banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, these accounts may exceed the federally insured limits.

NOTE 3 – Grant and Other Receivables

At June 30, 2018, grant and other receivables totaled \$1,483,334 which consisted of federal, state and private grants. These receivables are considered fully collectible; therefore, management does not consider an allowance for doubtful accounts to be necessary.

NOTE 4 – Concentrations

The School received approximately 89% of its total revenues from Federal and State grantors.

As noted earlier, the School is leasing its buildings rent free from the Louisiana Recovery School District. Should these leases not be extended, it may have an unfavorable impact on the School. The School does not record donated facilities.

NOTE 5 – Contingencies

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

NOTE 6 – Retirement Plan

The School provides a 403(b) plan for all regular full-time employees who are 21 years of age or older. An employee becomes eligible to participate in the plan on the first day of the month following the date of hire. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The School will make a matching contribution equal to 4% of salary, and all employees are immediately vested. For the year ended June 30, 2018, the School recorded retirement contributions in the amount of \$300,641.

NOTE 7 – Board Members' Compensation

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

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 9 – Temporarily Restricted Net Assets

At June 30, 2018, temporarily restricted net assets are available for the following purposes or periods:

| | |
|------------------|------------------|
| Kellogg | \$344,425 |
| Scholarship fund | <u>1,207</u> |
| | <u>\$345,632</u> |

NOTE 10 – Uncertain Income Taxes

On July 1, 2009, the School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities. The School's 2007 through 2016 information returns have been filed appropriately. As of the date of this report, the School has been approved for an extension to file their 2017 tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2014 through 2016. Management has evaluated the School's tax positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 11 – Line of Credit

The School has a \$1,000,000 line of credit (the "line") with a local financial institution. The line matures on August 30, 2018 and bears interest at a variable rate based on the Wall Street Journal Prime rate. At June 30, 2018, the interest rate was 4.75%. The line is secured by the School's deposit account at the financial institution. At June 30, 2018, the balance on the line was \$600,000. For the year ended June 30, 2018, interest expense on the line was \$18,817.

NOTE 12 – Date of Management's Review

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 18, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been included for inclusion in these financial statements.

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – Note Payable

The School has obtained a loan in the maximum amount of \$826,000 for the acquisition, development, and construction of an early learning center. The note matures on February 22, 2028, bears interest at 5.25% per annum and is collateralized by the above mentioned property. The note calls for nine consecutive monthly payments of interest on the principal amount outstanding beginning on July 22, 2017. Commencing April 22, 2018, the note calls for 120 monthly payments of \$8,862 and one final payment on February 22, 2028 of all unpaid amounts. For the year ended June 30, 2018, interest expense was \$40,264. The balance of the note payable at June 30, 2018 was \$688,854. Estimated future maturities on the note are as follows for the fiscal years ended June 30:

| | |
|------------|-------------------|
| 2019 | \$ 65,371 |
| 2020 | 68,887 |
| 2021 | 72,592 |
| 2022 | 76,496 |
| 2023 | 80,860 |
| Thereafter | <u>324,648</u> |
| | <u>\$ 688,854</u> |

SUPPLEMENTARY INFORMATION

**NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018**

Agency Head Name: Natalie Kuharick was the agency head between July 2017 and February 2018. Joel Castro was the agency head from March 2018 through June 2018.

| <u>Purpose</u> | <u>Natalie Kuharick</u> | <u>Joel Castro</u> |
|-----------------------|-------------------------|--------------------|
| Salary | \$ 137,740 | \$ 51,667 |
| Insurance | 4,594 | 1,454 |
| Medicare | 1,973 | 742 |
| Retirement | 3,480 | - |
| FICA | 7,434 | 3,173 |
| Unemployment Ins | 137 | 103 |
| | <u>\$ 155,358</u> | <u>\$ 57,139</u> |

See the accompanying independent auditor's report.

**NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| <i>Federal Grantor/Program or Cluster Title</i> | <i>CFDA Number</i> | <i>Federal Expenditures(\$)</i> |
|--|------------------------|---------------------------------|
| Other Programs | | |
| United States Department of Education | | |
| (Passed through the Louisiana Department of Education) | | |
| Title I Grants to Local Educational Agencies | 84.010 | \$1,191,156 |
| Special Education Cluster (IDEA) | | |
| Special Education Grants to States | 84.027 | 982,259 |
| Special Education - Preschool Grants | 84.173 | <u>1,881</u> |
| Total Special Education Cluster | | 984,140 |
| Career and Technical Education Basic Grants to States | 84.048 | 22,594 |
| Twenty-First Century Community Learning Centers | 84.287 | 369,923 |
| English Language Acquisition State Grants | 84.365 | 7,913 |
| Supporting Effective Instruction | 84.367 | 460 |
| (Passed through New Schools for New Orleans) | | |
| Teacher Incentive Fund | 84.374 | 228,118 |
| Total United States Department of Education | | <u>2,804,304</u> |
| United States Department of Health and Human Services | | |
| (Passed through the Louisiana Department of Education) | | |
| Temporary Assistance for Needy Families | 93.558 | <u>366,495</u> |
| Total United States Department of Health and Human Services | | <u>366,495</u> |
| United States Department of Agriculture | | |
| (Passed through the Louisiana Department of Education) | | |
| National School Lunch Program | 10.555 | 752,660 |
| Child and Adult Care Food Program | 10.558 | 126,774 |
| Fresh Fruit and Vegetable Program | 10.582 | 25,751 |
| Total United States Department of Agriculture | | <u>905,185</u> |
| Total Other Programs | | 4,075,984 |
| Total Expenditures of Federal Awards | | <u>\$4,075,984</u> |

The accompanying notes are an integral part of this schedule

See the accompanying independent auditor's report.

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – Basis of Presentation

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

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Relationship to Financial Statements

Federal awards are included in federal sources in the statement of activities for the year ended June 30, 2018.

NOTE D – De Minimus Cost Rate

During the year ended June 30, 2018, New Orleans College Preparatory Academies did not elect to use the 10% de minimus cost rate covered in §200.414 of the Uniform Guidance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



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

December 18, 2018

To the Board of Directors
New Orleans College Preparatory Academies
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 New Orleans College Preparatory Academies (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Orleans College Preparatory Academies' 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 New Orleans College Preparatory Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans College Preparatory Academies' 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 organization'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.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLC
Metairie, LA



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

December 18, 2018

To the Board of Directors
New Orleans College Preparatory Academies
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited New Orleans College Preparatory Academies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Orleans College Preparatory Academies' major federal programs for the year ended June 30, 2018. New Orleans College Preparatory Academies' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Orleans College Preparatory Academies' compliance.

Opinion on Each Major Federal Program

In our opinion, New Orleans College Preparatory Academies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLC
Metairie, LA

**NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. Summary of Auditor's Results

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

| | <u>CFDA Number</u> |
|--|--------------------|
| National School Lunch Program | 10.555 |
| Title I Grants to Local Educational Agencies | 84.010 |
| Teacher Incentive Fund | 84.374 |
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. New Orleans College Preparatory Academies was determined to be a low-risk auditee.

B. Financial Statement Findings and Questioned Costs

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

C. Federal Award Findings and Questioned Costs

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

D. Management Letter

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

**NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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

There were no prior year findings.

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

There were no prior year findings.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

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



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

December 18, 2018

To the Board of Directors
New Orleans College Preparatory Academies
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of New Orleans College Preparatory Academies; 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 New Orleans College Preparatory Academies 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 New Orleans College Preparatory Academies 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 described below either for the purpose for which this report has been requested or for any other purpose.

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

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

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

- ❖ Total General Fund Instructional Expenditures
- ❖ Total General Fund Equipment Expenditures
- ❖ Total Local Taxation Revenues
- ❖ Total Local Earnings on Investment in Real Property
- ❖ Total State Revenue in Lieu of Taxes
- ❖ Nonpublic Textbook Revenue
- ❖ Nonpublic Transportation Revenue

No exceptions were noted.

Class Size Characteristics (Schedule 2)

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

No exceptions were noted.

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

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

No exceptions were noted.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

No exceptions were noted.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, as required by

Louisiana Revised Statue 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.

Hienz & Macaluso, LLC
Metairie, LA

NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
New Orleans, Louisiana

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

| <u>General Fund Instructional and Equipment Expenditures</u> | Column A | Column B |
|---|------------------------------|---------------------|
| General Fund Instructional Expenditures: | | |
| Teacher and Student Interaction Activities: | | |
| Classroom Teacher Salaries | 3,549,819 | |
| Other Instructional Staff Activities | 1,030,441 | |
| Instructional Staff Employee Benefits | 509,434 | |
| Purchased Professional and Technical Services | 44,831 | |
| Instructional Materials and Supplies | 465,376 | |
| Instructional Equipment | - | |
| Total Teacher and Student Interaction Activities | <u> -</u> | \$ 5,599,901 |
| Other Instructional Activities | | <u>\$ 71,511</u> |
| Pupil Support Services | 2,044,865 | |
| Less: Equipment for Pupil Support Services | <u> -</u> | |
| Net Pupil Support Services | | <u>\$ 2,044,865</u> |
| Instructional Staff Services | 142,483 | |
| Less: Equipment for Instructional Staff Services | <u> -</u> | |
| Net Instructional Staff Services | | <u>\$ 142,483</u> |
| School Administration | 1,279,642 | |
| Less: Equipment for School Administration | <u> -</u> | |
| Net School Administration | | <u>\$ 1,279,642</u> |
| Total General Fund Instructional Expenditures (Total of Column B) | | <u>\$ 9,138,402</u> |
| Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) | | <u>\$ -</u> |

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

**Schedule 1
(Continued)**

**NEW ORLEANS COLLEGE PREPARATORY ACADEMIES
New Orleans, Louisiana**

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

Certain Local Revenue Sources

Local Taxation Revenue:

Advalorem Taxes

| | | |
|---|----|---|
| 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 | \$ | - |
| Result of Court Ordered Settlement (Ad Valorem) | \$ | - |
| Penalties/Interest on Ad Valorem Taxes | \$ | - |
| Taxes Collected Due to Tax Incremental Financing (TIF)(Ad Valorem) | \$ | - |

Sales Taxes

| | | |
|---------------------------------------|----|---|
| Sales and Use Taxes - Gross | \$ | - |
| Sales/Use Taxes - Court Settlement | \$ | - |
| Penalties/Interest on Sales/Use Taxes | \$ | - |
| Sales/Use Taxes Collected Due to TIF | \$ | - |
| 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 Accountant's Report on Applying Agreed-Upon Procedures.

Class Size Characteristics
 As of October 1, 2017

| School Type | Class Size Range | | | | | | | |
|----------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 5% | 15 | 27% | 23 | 26% | 13 | | |
| Elementary Activity Class | 1% | 2 | | | 6% | 3 | | |
| Middle High | 3% | 9 | 24% | 20 | 22% | 11 | | |
| Middle High Activity Class | 4% | 12 | 2% | 2 | 22% | 11 | | |
| High | | | | | 24% | 12 | | |
| High Activity Class | | | | | | | | |
| Combination | 87% | 248 | 47% | 40 | | | | |
| Combination Activity Class | | | | | | | | |

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

STATEWIDE AGREED-UPON PROCEDURES



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

To the Board of Directors of
New Orleans College Preparatory Academies
and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

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

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

The procedures listed above were performed as indicated.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

We observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

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

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

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

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

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

This procedure is not applicable as no misappropriations of public funds and assets during the fiscal period were noted.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

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

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

Hienz & Macaluso, LLC
Metairie, LA