



BBR SCHOOLS, INC.
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BBR Schools, Inc.
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying statement of financial position of BBR Schools, Inc. as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 BBR Schools, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

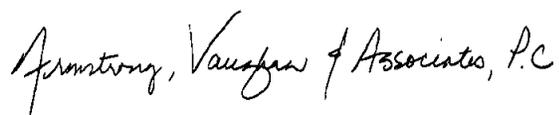
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (as listing in the table of contents) is presented for the purposes of additional analysis and is not a required part of the financial statements. The Supplementary 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 other 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 Supplementary 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 November 1, 2019 on our consideration of BBR Schools, Inc.'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 the 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 BBR Schools, Inc.'s internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.
November 1, 2019

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

BBR SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 901,561
Accounts Receivable:	
Parish School Board	354,188
Other	42,651
Prepaid Expenses	15,978
Receivable from Related Entity BCSI	<u>411,756</u>
<i>Total Current Assets</i>	<u>1,726,134</u>

<i>Property and Equipment, net</i>	<u>15,881,797</u>
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TOTAL ASSETS	<u>\$17,607,931</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ <u>544,028</u>
<i>Total Current Liabilities</i>	<u>544,028</u>

Long-term Liabilities:

Lease Liability	<u>16,351,339</u>
<i>Total Liabilities</i>	<u>16,895,367</u>

Net Assets:

Without Donor Restrictions	586,297
With Donor Restrictions	<u>126,267</u>
<i>Total Net Assets</i>	<u>712,564</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$17,607,931</u>
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The accompanying notes are an integral part of this financial statement.

BBR SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
Contributions	\$ 1,474,919	\$ 126,267	\$ 1,601,186
Parish School Board Allotment	4,337,979	-	4,337,979
Federal Revenues	-	69,906	69,906
Other Revenues	354,468	-	354,468
	<u>6,167,366</u>	<u>196,173</u>	<u>6,363,539</u>
Net Assets Released from Restrictions	69,906	(69,906)	-
TOTAL REVENUE	<u>6,237,272</u>	<u>126,267</u>	<u>6,363,539</u>
EXPENSES			
Educational Program	4,543,797	-	4,543,797
General and Administrative	1,084,660	-	1,084,660
Fundraising	22,518	-	22,518
TOTAL EXPENSES	<u>5,650,975</u>	<u>-</u>	<u>5,650,975</u>
CHANGE IN NET ASSETS	586,297	126,267	712,564
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 586,297</u>	<u>\$ 126,267</u>	<u>\$ 712,564</u>

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

BBR SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Leased Personnel	\$ 2,080,412	\$ 327,691	\$ 17,860	\$ 2,425,963
Interest	753,194	322,797	-	1,075,991
Management Fee	610,171	65,054	-	675,225
Utilities	70,235	30,268	9	100,512
Depreciation	350,729	145,407	-	496,136
Purchased Services	128,845	21,144	212	150,201
Building Maintenance	53,981	29,149	36	83,166
School Meal Program	139,745	2,036	-	141,781
Insurance	41,229	17,669	-	58,898
Other Operating Costs	315,256	123,445	4,401	443,102
TOTAL EXPENSES	<u>\$ 4,543,797</u>	<u>\$ 1,084,660</u>	<u>\$ 22,518</u>	<u>\$ 5,650,975</u>

BBR SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS PROVIDED (USED) BY	
OPERATING ACTIVITIES	
Cash Received from State and Federal Grantors	\$ 4,053,697
Cash Received from Others	1,913,003
Payments to Vendors for Goods and Services	(3,962,554)
Payments for Interest	<u>(1,019,652)</u>
NET CASH PROVIDED (USED) BY	
OPERATING ACTIVITIES	<u>984,494</u>
CASH FLOWS PROVIDED (USED) BY	
INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(82,933)</u>
NET CASH PROVIDED (USED) BY	
INVESTING ACTIVITIES	<u>(82,933)</u>
NET INCREASE (DECREASE) IN CASH	901,561
BEGINNING CASH AND CASH EQUIVALENTS	<u>-</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 901,561</u></u>

Noncash Financing Activities
Finance Lease of School Site for Present Value of \$16,295,001

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

BBR Schools, Inc. (BBR) is a Louisiana nonprofit corporation organized February 2016. BBR's single member is BASIS Charter Schools, Inc. (BCSI) (an Arizona based nonprofit corporation). In 2018, BBR was awarded a Type 1 charter contract by the East Baton Rouge Parish School Board (EBR) to open a charter school serving grades kindergarten through twelfth. BBR receives a proportionate share of state and local revenue sources of EBR based on enrollment. The Board of Directors of BBR is appointed by BCSI and has the authority to make decisions, appoint the chief executive officer of the Charter, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter.

Basis of Accounting and Presentation

The general-purpose financial statements of BBR were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Without Donor Restriction – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restriction – net assets subject to grantor or donor-imposed stipulations that may be met by BBR actions, passage of time or held in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, BBR considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Contributions

BBR reports contributions as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the contribution becomes unconditional. When a restriction expires, net assets with donor restrictions are released and reported in the statement of activities as net assets released from restrictions. Contributions received in the same year that restrictions are met are reported in the without donor restriction column.

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Parish Funding

The EBR School Board receives state and local revenue sources to which BBR is contractually entitled. The amounts are distributed monthly and generally finalized for the year each June. Any amounts to which BBR is entitled to for a school year but has not yet been remitted are recorded as accounts receivable on the Statement of Financial Position. BBR reports the revenue from EBR as without donor restrictions as the revenue supports BBR's overall mission.

Capital Assets

Capital assets are defined by BBR as assets with a useful life greater than one year and an individual cost of more than \$300 and all textbooks. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are generally estimated to be 3-to-5 years for furniture and equipment.

Leases

BBR classifies leases as financing or operating based on the nature of the agreement. This determination is performed at the inception of the lease and not reevaluated unless the contract is modified or lease termination/extension options are exercised that were not expected. Both types of leases result in lease liabilities and right to use assets on the statement of financial position based on discounted cash flows using either the implicit rate in the lease or BBR's incremental borrowing rate. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Finance lease right to use assets are amortized as a component of depreciation expense. Leases may include non-lease components; however, these are accounted for as a single lease component.

Use of Estimates

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

Functional Expense Classification

BBR allocates direct instructional costs and supplies to program activities. Activities related to facilitating governing board functions and maintaining fiscal responsibilities are allocated to general and administrative. Costs benefitting both general and program activities, are allocated based on an estimate of the utilization by each activity and/or the hours spent by the personnel involved.

Income Taxes

BBR Schools, Inc. is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The Organization is generally no longer subject to income tax examination by Federal authorities for years prior to June 30, 2016.

BBR SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Subsequent Events

Subsequent events were considered through November 1, 2019, which is the date the financial statements were available to be issued.

NOTE 2 -- UNCOLLATERALIZED DEPOSITS

As of June 30, 2019, BBR's deposits exceeded FDIC insurance by \$601,257.

NOTE 3 -- CAPITAL ASSETS

Capital assets at June 30, 2019 were as follows:

Right to Use Asset - Building	\$ 16,295,001
Furniture, Equipment & Textbooks	82,932
Less: Accumulated Depreciation	<u>(496,136)</u>
Property and Equipment - Net	<u><u>\$ 15,881,797</u></u>

Capital assets acquired with public funds received by BBR for the operation of the open-enrollment charter school constitute public property. Should the school close for any reason, these assets would be returned to the EBR School Board. However, for the year ended June 30, 2019, BBR did not purchase any capital assets with public funding. Depreciation expense was \$496,136 for the year ended June 30, 2019.

NOTE 4 -- LEASES

In 2018, BBR leased a facility from BCSI for a school. The lease agreement provides a schedule of required monthly payments for the entire term through June 30, 2049 with two additional 10-year renewals at BBR's option. Because of the length of the term and significance of the present value compared to the fair value of the building, the lease was classified as a finance lease. The extension options were not included as management is not reasonably certain they will be exercised. BBR has pledged all revenues to satisfying these lease payments, including EBR School Board payments to the extent permitted by Louisiana Law. Financial lease costs for the year ending June 30, 2019, were as follows:

Finance Lease Cost:	
Amortization of Right to Use Asset (Included in Depreciation)	\$ 483,140
Interest on Lease Liability	<u>1,075,991</u>
Total Finance Lease Cost	<u><u>\$ 1,559,131</u></u>

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2019

NOTE 4 – LEASES (CONT.)

Additional disclosures about balances and future payments for the lease are as follows:

Finance Lease:	
Property and Equipment	\$ 16,295,001
Accumulated Depreciation	<u>(483,140)</u>
Property and Equipment Net	<u>\$ 15,811,861</u>
Lease Liability	<u>16,351,339</u>
Total Finance Lease Liabilities	<u>\$ 16,351,339</u>
Remaining Lease Term	30 years
Discount Rate	7.21%

Year Ending June 30,	Future Minimum Payments
2020	\$ 1,019,652
2021	1,019,652
2022	1,019,652
2023	1,019,652
2024	1,459,656
2025-2029	7,285,752
2030-2034	7,290,768
2035-2039	7,288,800
2040-2044	7,279,992
2045-2049	<u>7,272,600</u>
	41,956,176
Less: Interest	<u>(25,604,837)</u>
Net Present Value	<u>\$ 16,351,339</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 consisted of Annual Teacher Fund contributions of \$126,267. These contributions are solicited to supplement teacher compensation in the coming school year. Releases of net assets with donor restrictions during the year ending June 30, 2019 were as follows:

School Breakfast and Lunch	\$ 69,906
Total Released Net Assets	<u>\$ 69,906</u>

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2019

NOTE 6 -- RELATED ENTITY

BASIS Charter Schools Inc. (BCSI) is the sole member of BBR, has common management (BASIS Educational Group), and shares one common Board member. BCSI also has the authority to appoint members to the Board of Directors of BBR. BBR leases facilities from BCSI and the two entities collaborate on projects to minimize costs and ease administrative burden. In the normal course of their operations payables and receivables are incurred between these entities and are reflected on the Statement of Financial Position as receivables and payables.

NOTE 7 -- BASIS EDUCATIONAL GROUP MANAGEMENT AGREEMENT

BBR contracted with BASIS Educational Group (BASIS.ed) to perform management and operational functions of BBR, including leased personnel, and to participate in the BASIS education model. Management fees are paid to BASIS.ed based on a percentage of certain revenue. Expenses recognized to BASIS.ed for the year ending June 30, 2019 were \$675 thousand for management fees and \$2.38 million for leased personnel.

NOTE 8 -- EAST BATON ROUGE SCHOOL BOARD CONCENTRATION

BBR exists to run a charter school in East Baton Rouge which is authorized by contract through East Baton Rouge School Board (EBR). BBR is subject to state, federal and EBR compliance requirements. Failure to comply could lead to loss of funding or revocation of the charter contract. Upon revocation or closure, all assets acquired with public funds are returned to EBR, including cash. 68% of BBR's revenue came as a direct result of the charter contract. Should this contract be terminated, BBR's operations would be severely impacted.

NOTE 9 -- LIQUIDITY AND AVAILABILITY

As of June 30, 2019, BBR's working capital was \$1.18 million. This includes Annual Teacher Fund contributions to be used to support teacher compensation during the year ending June 30, 2020. This represents over two months of operating costs. In addition, BBR's largest funding source (the contract with EBR) is in effect for the school year 2019-2020, providing monthly payments to support operations sufficient to cover the operating budget.

NOTE 10 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

SUPPLEMENTARY INFORMATION

BBR SCHOOLS, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND CERTAIN LOCAL
REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2019

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ -	
Other Instructional Staff Activities	-	
Instructional Staff Employee Benefits	-	
Purchased Professional and Technical Services	2,011,769	
Instructional Materials and Supplies	77,334	
Instructional Equipment	26,382	
Total Teacher and Student Interaction Activities		\$ 2,115,485
Other Instructional Activities		-
Pupil Support Services	-	
Less: Equipment for Pupil Support Services	-	
New Pupil Support Services		-
Instructional Staff Services	77,672	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		77,672
School Administration	942,419	
Less: Equipment for School Administration	-	
Net School Administration		942,419
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 3,135,576</u>
Total General Fund Equipment Expenditures (Object 730: Functional Series 1000 - 4000)		<u>\$ -</u>
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem	\$ -	
Renewable Ad Valorem	-	
Debt Service Ad Valorem	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
Total Local Taxation Revenue		<u>\$ -</u>
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		<u>\$ -</u>
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 Revenues in Lieu of Taxes		<u>\$ -</u>
<u>Revenues from State Sources</u>		
State Unrestricted Grants-In-Aid:		
State Public School Fund (MFP) - Excluding School Lunch	\$ 4,337,979	
State Revenue for/on Behalf of LEA:		
Other Revenue for/on Behalf of LEA	-	
Total Revenue from State Sources		<u>\$ 4,337,979</u>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	

See Independent Auditor's Report.

BBR SCHOOLS, INC.
 CLASS-SIZE CHARACTERISTICS
 AS OF OCTOBER 1, 2018

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary					58	46%		
Elementary Activity Classes					68	54%		
Middle/ Jr. High								
Middle/ Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

COMPLIANCE AND INTERNAL CONTROL



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BBR Schools, Inc. (BBR)
Baton Rouge, Louisiana

We have audited 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, the financial statements of BBR, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BBR'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 BBR's internal control. Accordingly, we do not express an opinion on the effectiveness of BBR'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.

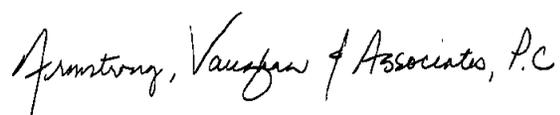
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 BBR Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Armstrong, Vaughan & Associates, P.C.
November 1, 2019



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of BBR Schools, Inc., the Louisiana Department of Education, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by BBR Schools, Inc., the Louisiana Department of Education, and the Louisiana Legislative Auditor, on the performance and statistical data accompanying the annual financial statements of the BBR Schools, Inc. for the fiscal year ended June 30, 2019. Management of BBR Schools, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. 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.

The procedures and associated findings are as follows:

General Fund Instructional and Support Expenditures And Certain Local Revenue Sources

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among 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
 - Nonpublic Transportation Revenue

Findings: None.

Class Size Characteristics

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.

Findings: None.

Education Levels/Experience of Public School staff

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.

Findings: Two of the teachers in our sample were listed as having bachelors degrees when their personnel records indicated they held masters degrees.

Public School Staff Data: Average Salaries

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).

Findings: The PEP data included minimum salaries and expected hours worked for private, leased teachers. Actual compensation of the private, leased employees in our sample supported the minimum salaries and expected hours.

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 Comptroller General of the United States. 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 report is intended solely for the use of management, the Louisiana Department of Education, the Louisiana Legislative Auditor, and the East Baton Rouge Parish School Board, and is not intended to be used by anyone other than these specified parties.



Armstrong, Vaughan & Associates, P.C.
November 1, 2019



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
BBR Schools, Inc.
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by BBR Schools, Inc. (the School) and the Legislative Auditor, State of Louisiana, to assist the entity in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended June 30, 2019. The School's management is responsible for compliance with these requirements. 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.

Our procedures and findings are as follows:

Written Policies and Procedures

1. Obtain and inspect BBR Schools, Inc.'s written policies and procedures and observed that they address each of the following financial/business functions:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings: None.

Board of Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Findings: None.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that.
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: None.

Collections (excluding EFTs)

4. 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. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

7. "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: None

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 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 (if the agency has no written policies and procedures, inquire of employees about their 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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings: None.

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.
- 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:
 - 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 (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
- 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Findings: None

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- 14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy.
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: None

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings: None

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings: None.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a.) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b.) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings: One of the private, leased personnel tested did not have evidence of ethics training or attestation of reading the ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings: None.

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.
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.

Findings: None.

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 Comptroller General of the United States. 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 compliance with the requirements outlined by the Louisiana Legislative Auditor. 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 report is intended solely for the use of management, the Louisiana Department of Education, the Louisiana Legislative Auditor, and the East Baton Rouge Parish School Board, and is not intended to be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
November 1, 2019