

GEO PREP ACADEMY OF GREATER BATON ROUGE

FINANCIAL STATEMENTS

June 30, 2019 and 2018

GEO PREP ACADEMY OF GREATER BATON ROUGE

FINANCIAL STATEMENTS
June 30, 2019 and 2018

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD	13
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	14
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	15
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	16
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON THE INTERNAL CONTROL OVER COMPLIANCE.....	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	20
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514-PERFORMANCE AND STATISTICAL DATA)	
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	21
SCHEDULE 1: GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND CERTAIN LOCAL REVENUE SOURCES FOR THE YEAR ENDED JUNE 30, 2019	24
SCHEDULE 2: CLASS SIZE CHARACTERISTICS.....	25

INDEPENDENT AUDITORS' REPORT

Board of Directors
GEO Prep Academy of Greater Baton Rouge
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of GEO Prep Academy of Greater Baton Rouge (the School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GEO Prep Academy of Greater Baton Rouge as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the School has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to the agency head and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 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 19, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Crowe LLP

Indianapolis, Indiana
December 19, 2019

GEO PREP ACADEMY OF GREATER BATON ROUGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 716,952	\$ 132,677
Accounts receivable	245,770	149,956
Grants receivable	24,860	40,994
Due from management company	68,884	-
Prepaid expenses	77,079	21,342
Property and equipment, net (Note 2)	<u>6,316,060</u>	<u>5,065,763</u>
Total assets	<u>\$ 7,449,605</u>	<u>\$ 5,410,732</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 453,586	\$ 171,828
Due to management company (Note 3)	1,117,569	467,965
Notes payable (Note 4)	<u>5,392,598</u>	<u>4,838,775</u>
Total liabilities	6,963,753	5,478,568
NET ASSETS		
Without donor restrictions	<u>485,852</u>	<u>(67,836)</u>
Total liabilities and net assets	<u>\$ 7,449,605</u>	<u>\$ 5,410,732</u>

See accompanying notes to financial statements.

GEO PREP ACADEMY OF GREATER BATON ROUGE
STATEMENTS OF ACTIVITIES
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Public support and revenues		
State and local sources	\$ 5,869,863	\$ 3,396,818
Federal sources	921,617	518,496
Contributions and grants	405,903	8,774
Other revenue	<u>73,358</u>	<u>65,222</u>
Total revenue and support	<u>7,270,741</u>	<u>3,989,310</u>
Expenses		
Program services:		
Instructional	5,962,677	3,249,081
Supporting services:		
Management and general	<u>754,376</u>	<u>649,407</u>
Total expenses	<u>6,717,053</u>	<u>3,898,488</u>
Change in net assets	553,688	90,822
Net assets, beginning of year	<u>(67,836)</u>	<u>(158,658)</u>
Net assets, end of year	<u>\$ 485,852</u>	<u>\$ (67,836)</u>

See accompanying notes to financial statements.

GEO PREP ACADEMY OF GREATER BATON ROUGE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 553,688	\$ 90,822
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	350,747	34,708
Change in assets and liabilities:		
Accounts receivable	(95,814)	(114,154)
Grants receivable	16,134	(23,262)
Prepaid expenses	(55,737)	19,487
Accounts payable and accrued expenses	281,758	(13,674)
Due to/from management company	580,720	190,498
Net cash from operating activities	<u>1,631,496</u>	<u>184,425</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(1,506,786)</u>	<u>(4,961,513)</u>
Net cash from investing activities	(1,506,786)	(4,961,513)
Cash flows from financing activities		
Proceeds on issuance of notes payable	500,000	4,750,000
Payment of debt issuance costs	-	(94,258)
Principal payments on notes payable	<u>(40,435)</u>	<u>(33,901)</u>
Net cash from financing activities	459,565	4,621,841
Net change in cash and cash equivalents	584,275	(155,247)
Cash and cash equivalents, beginning of year	<u>132,677</u>	<u>287,924</u>
Cash and cash equivalents, end of year	<u>\$ 716,952</u>	<u>\$ 132,677</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 262,550	\$ 15,867

See accompanying notes to financial statements.

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: The GEO Prep Academy of Greater Baton Rouge (the School) is a nonprofit organization established in 2015 for the purpose of operating a charter school located in Baton Rouge, Louisiana. The School was created to ensure that all students show growth in character, academics, life skills, the arts, and wellness using teaching skills tailored to meet the needs of each student.

The School's initial school year began in August 2015. The Louisiana State Board of Elementary and Secondary Education ("BESE") granted the School a Type 2 charter. The School has full responsibility for its finances and operations and operates under an 8-member School Board.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2019 and 2018.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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 revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. Bank balances may periodically exceed FDIC insured limits. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Accounts and Grants Receivable: Accounts and grants receivable balances consist of amounts billed or billable for services provided or contracted. Grants receivable includes receivables related to cost-reimbursement federal grants. The School does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June 30, 2019 and 2018. The allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Expenditures for property and equipment and items in excess of \$500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	39 years
Property and equipment	3-7 years

Assets acquired with Department of Education funds are owned by the School while used in the purpose for which it was purchased. The Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency.

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2019 and 2018, management believes that no impairment exists.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value. The carrying value of all the School's financial instruments, approximate fair value, except for notes payable.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – The net asset without donor restrictions class includes general assets and liabilities of the School. The net asset without donor restrictions of the School may be used at the discretion of management to support the School's purposes and operations.

Net Assets With Donor Restrictions – The net asset with donor restrictions class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. The School had no net assets with donor restrictions of this nature as of June 30, 2019 and 2018. The net asset with donor restrictions that are kept in perpetuity class includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no net assets with donor restrictions to be kept in perpetuity as of June 30, 2019 and 2018.

Public Support and Revenue: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. This includes the revenue from the Minimum Foundation Program (MFP) which is earned as received during the school year. The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. MFP funding represented approximately 81% and 84% of total public support and revenue for the years ended June 30, 2019 and 2018, respectively.

Federal grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Allocated Expenses: Expenses have been classified as program services and supporting services based on the actual direct expenditures and estimated cost allocations. Salaries and related expenses are charged based upon time estimates of personnel. Supporting services include management and general activities of the School. The School did not incur any fundraising expenses for the years ended June 30, 2019 and 2018.

Recently Adopted Accounting Guidance: In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the School to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The School adopted ASU 2016-14 for its fiscal year ending June 30, 2019 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation of this ASU did not have a material effect on amounts previously presented.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform to the presentation of the 2019 financial statements. Reclassifications had no impact on change in net assets or net assets in total.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2019. Management has performed their analysis through December 19, 2019, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of furniture, equipment, and textbooks consists of the following:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 6,321,651	\$ 5,010,355
Computers and equipment	299,487	103,998
Less: accumulated depreciation	<u>(305,078)</u>	<u>(48,590)</u>
	<u>\$ 6,316,060</u>	<u>\$ 5,065,763</u>

Depreciation expense was \$256,489 and \$34,708 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3 - MANAGEMENT AGREEMENT

In accordance with a management agreement, for the term of five (5) years beginning July 1, 2015 and ending on June 30, 2020, GEO Foundation will be responsible for all management, academic, operational and administrative services necessary for the operation of the School; in consultation and communication with the School's Board of Directors. For those services, the School paid GEO Foundation \$560,000 and \$345,856 for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2016, the School signed a 5-year start-up loan agreement with GEO Foundation, noted as "due to management company" on the statements of financial position, in the amount of \$345,345, at an interest rate of 0% per annum, maturing on June 30, 2021. The balances at June 30, 2019 and 2018 were \$205,744 and \$277,467, respectively. The principal payment terms as of the issuance of the debt states that a minimum of \$50,000 is to be paid per year, however, the agreement also states that this payable may be extended past the repayment terms mentioned in the agreement as needed, as agreed to by GEO, in order to support the academic needs of the School.

In June 2019, the School entered into an agreement to purchase property and improvements from GEO Foundation for a sales price of \$1,250,000. The School entered into a \$750,000 promissory note with GEO Foundation and borrowed \$500,000 as disclosed in Note 4 to finance the acquisition. The promissory note requires monthly payments of principal and interest of \$14,870 beginning July 1, 2019 through June 1, 2024. The interest rate is 7.0% per annum.

At June 30, 2019, the School had a payable to GEO Foundation of \$161,825 for management services provided. At June 30, 2018, the School had a payable to GEO Foundation totaling \$190,498 which included \$96,240 for management services provided by GEO Foundation and \$94,258 for reimbursement of debt closing costs related to the debt issuance in fiscal year 2018. At June 30, 2019, the School had a receivable from GEO Foundation for \$68,884 related to reimbursement for items collected by GEO Foundation on behalf of the School. There was no receivable balance due from GEO Foundation for the year ended June 30, 2018.

GEO Foundation has also supplied a facility and equipment to be used in school operations for which the School reimbursed \$16,667 and \$371,022 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
During the year ended June 30, 2017, the School signed a 5-year unsecured promissory note with a local bank in the amount of \$220,000, at an interest rate of 7.230% per annum, maturing on June 5, 2022. Principal and interest payments are due monthly.	\$ 142,598	\$ 183,033
In June 2019, the School refinanced the promissory note with a local bank in the amount of \$5,250,000 which includes \$4,750,000 financed in fiscal year 2018 to secure financing for the purchase of property to relocate the charter school and \$500,000 borrowed in fiscal year 2019 to finance the acquisition of a second building disclosed in Note 3. Payments of \$36,507 are due monthly at a rate of 5.55% per annum, maturing in June 2024 when a balloon payment of \$4,466,777 in principal is due. The loan is collateralized by property and a \$1,000,000 deposit account held by GEO Foundation. GEO Foundation has fully guaranteed the debt.	<u>5,250,000</u>	<u>4,750,000</u>
	5,392,598	4,933,033
Debt issuance costs, net of accumulated amortization	<u>-</u>	<u>(94,258)</u>
Total notes payable, net	<u>\$ 5,392,598</u>	<u>\$ 4,838,775</u>

The estimated future principal payments due on long term debt are:

2020	\$ 194,429
2021	206,281
2022	219,574
2023	177,694
2024	<u>4,594,620</u>
	<u>\$ 5,392,598</u>

Total interest expense during the years ended June 30, 2019 and 2018 was \$280,510 and \$15,867, respectively.

NOTE 5 - RETIREMENT PLAN

Employees of the School may participate in a 403(b) defined contribution plan. Eligible employees may elect to contribute a portion of their salaries to the plan. The School may elect to make a discretionary contribution equal to 200% of the participant's contributions not to exceed 3% of the participant's compensation. The School made contributions to the plan of \$82,466 and \$72,135 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

The statements of activities report certain categories of expenses attributable to the program and supporting functions of the School. Functions include program expense for instructional services and management and general activities. The table below presents these functional expenses by their natural classification for the years ended June 30, 2019 and 2018, respectively.

2019

	<u>Instructional</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 2,929,855	\$ -	\$ 2,929,855
Purchased property services	580,086	30,531	610,617
Professional purchased services	482,926	560,000	1,042,926
Employee benefits	502,962	-	502,962
Food service	421,601	-	421,601
Utilities	116,779	6,146	122,925
Marketing	-	64,030	64,030
Materials and supplies	90,962	4,788	95,750
Insurance	64,920	11,457	76,377
Textbooks, books, workbooks, periodicals	156,778	-	156,778
Transportation services	242,092	-	242,092
Other purchased services	40,506	7,148	47,654
Other expenses	-	52,739	52,739
Depreciation and amortization	<u>333,210</u>	<u>17,537</u>	<u>350,747</u>
Total expenses	<u>\$ 5,962,677</u>	<u>\$ 754,376</u>	<u>\$ 6,717,053</u>

2018

	<u>Instructional</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,842,731	\$ 96,985	\$ 1,939,716
Purchased property services	468,677	24,668	493,345
Professional purchased services	-	402,298	402,298
Employee benefits	327,020	17,211	344,231
Food service	248,573	-	248,573
Utilities	85,305	4,490	89,795
Materials and supplies	57,088	3,005	60,093
Insurance	35,457	6,257	41,714
Textbooks, books, workbooks, periodicals	58,054	-	58,054
Transportation services	7,486	-	7,486
Other purchased services	85,717	15,126	100,843
Other expenses	-	77,632	77,632
Depreciation and amortization	<u>32,973</u>	<u>1,735</u>	<u>34,708</u>
Total expenses	<u>\$ 3,249,081</u>	<u>\$ 649,407</u>	<u>\$ 3,898,488</u>

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 - LIQUIDITY AND AVAILABILITY

The School's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 716,952	\$ 132,677
Accounts receivable	245,770	149,956
Grants receivable	24,860	40,994
Due from management company	<u>68,884</u>	<u>-</u>
	<u>\$ 1,056,466</u>	<u>\$ 323,627</u>

As part of the School's liquidity management, the School invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SUPPLEMENTARY INFORMATION

GEO PREP ACADEMY OF GREATER BATON ROUGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE AGENCY HEAD
June 30, 2019

Agency Head Name: Sandra Douglas

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 59,069
Benefits-health insurance	2,343
Benefits-retirement	4,544
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA and Medicare	4,487
Car allowance	-
Vehicle provided by government	-
Cell phone	38
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings and conventions	-
Other	-
Total	<u>\$ 70,481</u>

UNIFORM GUIDANCE REPORTING PACKAGE

GEO PREP ACADEMY OF GREATER BATON ROUGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-Through Louisiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2018-2019	\$ 94,199
National School Lunch Program	10.555	FY 2018-2019	<u>312,735</u>
Total Child Nutrition Cluster			406,934
Child and Adult Care Food Program	10.558	FY 2018-2019	<u>73,488</u>
Total U.S. Department of Agriculture			<u>480,422</u>
<u>U.S. Department of Education</u>			
Passed through the Louisiana Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 2018-2019	284,924
Supporting Effective Instruction State Grants	84.367	FY 2018-2019	23,560
Student Support and Academic Enrichment Program	84.424	FY 2018-2019	2,569
Charter Schools	84.282	FY 2018-2019	47,912
Special Education Grants to States	84.027	FY 2018-2019	<u>82,230</u>
Total U.S. Department of Education			<u>441,195</u>
Total expenditures of federal awards			<u>\$ 921,617</u>

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

GEO PREP ACADEMY OF GREATER BATON ROUGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

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. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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*

Board of Directors
GEO Prep Academy of Greater Baton Rouge
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 GEO Prep Academy of Greater Baton Rouge (the School), which comprise the statement of financial position as of June 30, 2019, and the related statement 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 19, 2019.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 over financial reporting 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.


Crowe LLP

Indianapolis, Indiana
December 19, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
GEO Prep Academy of Greater Baton Rouge
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited GEO Prep Academy of Greater Baton Rouge's (the School) compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2019. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program 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 the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

(Continued)

Report on Internal Control Over Compliance

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
December 19, 2019

GEO PREP ACADEMY OF GREATER BATON ROUGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of report the audit issued on whether the
Financial statements audited were prepared
In accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not
considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

SCHEDULES REQUIRED BY STATE LAW

(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Directors
GEO Prep Academy of Greater Baton Rouge
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by GEO Prep Academy of Greater Baton Rouge (the "School"), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2019; to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE), in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for its performance and statistical data and compliance with Louisiana Revised Statute 24:514 I. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings 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, traced to 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

Results of Procedure: No exceptions 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 random sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Results of Procedure: No discrepancies were noted between the classes reported on schedule 2 and those in the roll books.

(Continued)

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

3. We obtained October 1st Profile of Educational Personnel (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 random 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.

Results of Procedure: We noted three instances in our random sample of 25 individuals where the experience level reported to the Department of Education did not agree to the employee's personnel file.

Management's Response: Management will refine the onboarding process to include an additional verification process for receipt of all necessary paperwork.

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 random sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Results of Procedure: We noted three instances in our random sample of 25 individuals where the salary data reported to the Department of Education did not agree to the employee's personnel file. The PEP data was overstated by \$103,712 compared to the personnel files in these three instances.

Management's Response: Management has confirmed all noted employees have been appropriately compensated per their work agreements. Given that this is the second year this error has occurred, management is undertaking a comprehensive review of its payroll input and reporting systems to determine how this specific reporting error is occurring in the data transfer stream.

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 and compliance with Louisiana Revised Statute 24:514 I. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.


Crowe LLP

Indianapolis, Indiana
December 19, 2019

(Continued)

GEO PREP ACADEMY OF GREATER BATON ROUGE
BATON ROUGE, LOUISIANA
SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:514 – PERFORMANCE AND STATISTICAL DATA)
As of and for the Year ended June 30, 2019

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

GEO PREP ACADEMY OF GREATER BATON ROUGE
 SCHEDULE 1: GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
 AND CERTAIN LOCAL REVENUE SOURCES
 Year ended June 30, 2019

<u>General Fund Instructional and Equipment Expenditures</u>	<u>Column A</u>	<u>Column B</u>
General fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$ 1,272,608	
Other instructional staff activities	832,442	
Instructional staff employee benefits	401,356	
Purchased professional and technical services	334,593	
Instructional materials and supplies	188,630	
Instructional equipment	<u>158,060</u>	
Total teacher and student interaction activities		\$ 3,187,689
Other instructional activities		<u>84,125</u>
Pupil support activities		
Less: equipment for pupil support activities	\$ - <u>800</u>	
Net pupil support activities		<u>800</u>
Instructional staff services		
Less: equipment for instructional staff services	\$ - <u>-</u>	
Net instructional staff services		<u>-</u>
School administration		
Less: equipment for school administration	\$ 1,104,304 <u>-</u>	
Net school administration		<u>626,105</u>
Total general fund instructional expenditures		<u>\$ 3,898,719</u>
Total general fund equipment expenditures		<u>\$ 158,060</u>

Certain local revenue sources

This section is not applicable to GEO Prep Academy of Greater Baton Rouge.

GEO PREP ACADEMY OF GREATER BATON ROUGE
 SCHEDULE 2: CLASS SIZE CHARACTERISTICS
 As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	10%	18	45%	90	45%	90	0%	0
Elementary Activity Classes	10%	2	45%	10	45%	10	0%	0

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