

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2019



Contents

Independent Auditor's Report	1 - 2
-------------------------------------	-------

Financial Statements

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

Independent Accountant's Report on Applying Agreed-Upon Procedures	14 - 16
---------------------------------------------------------------------------	---------

Schedules Required by Louisiana State Law (R.S. 24:514 - Performance and Statistical Data)		17
	Schedule	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	18
Class Size Characteristics	2	19

Supplementary Information

Schedule of Board of Directors	21
Schedules of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	22 - 23
Schedule of Financial Position by School	24
Schedule of Activities by School	25 - 26

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	29 - 30
----------------------------------------------------------------------------------------------------------------------------------------	---------

Contents (Continued)

Schedule of Expenditures of Federal Awards	31
---------------------------------------------------	-----------

Notes to Schedule of Expenditures of Federal Awards	32
------------------------------------------------------------	-----------

Schedule of Findings and Questioned Costs	33
--------------------------------------------------	-----------

Schedule of Prior Year Findings and Questioned Costs	34
-------------------------------------------------------------	-----------

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Einstein Group, Inc., d/b/a Einstein Charter Schools (Einstein), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

LOUISIANA • TEXAS

Opinion

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

Other Matters

Other Information

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

The performance and statistical data, included as schedules 1 and 2, is not a required part of the financial statements, but is supplementary information required by Louisiana State Law. 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. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Einstein adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of Einstein'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 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 Einstein's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Einstein's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 9, 2019

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2019**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,991,959
Grants Receivable	<u>170,818</u>
Total Current Assets	<u>5,162,777</u>
Fixed Assets	
Furniture and Equipment	388,750
Accumulated Depreciation	<u>(386,364)</u>
Total Fixed Assets, Net	<u>2,386</u>
Total Assets	<u><u>\$ 5,165,163</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 586,840
Accrued Liabilities	<u>889,053</u>
Total Current Liabilities	<u>1,475,893</u>
Net Assets	
With Donor Restrictions	87,500
Without Donor Restrictions	<u>3,601,770</u>
Total Net Assets	<u>3,689,270</u>
Total Liabilities and Net Assets	<u><u>\$ 5,165,163</u></u>

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
State and Local Public School Funding	\$ 14,952,524	\$ -	\$ 14,952,524
Federal Grants			
Grants for Education	3,049,212	-	3,049,212
School Food Service Revenue	1,196,440	-	1,196,440
Other Grants and Contributions	478,335	87,500	565,835
	<hr/>		
Total Revenue, Grants, and Other Support	19,676,511	87,500	19,764,011
<hr/>			
Expenses			
Program Services	16,258,655	-	16,258,655
Management and General	3,027,190	-	3,027,190
	<hr/>		
Total Expenses	19,285,845	-	19,285,845
<hr/>			
Change in Net Assets	390,666	87,500	478,166
Net Assets, Beginning of Year	3,211,104	-	3,211,104
<hr/>			
Net Assets, End of Year	\$ 3,601,770	\$ 87,500	\$ 3,689,270
<hr/>			

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2019**

	<u>Education Programs</u>	<u>Supporting Services</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 8,283,334	\$ 1,725,075	\$ 10,008,409
Employee Benefits	3,300,014	591,669	3,891,683
Purchased Services	1,050,846	270,660	1,321,506
Food Services	909,061	-	909,061
Student Transportation	820,727	-	820,727
Supplies, Materials, and Textbooks	686,939	28,662	715,601
Repairs	381,001	-	381,001
Utilities	367,374	-	367,374
Administration Fee	-	297,622	297,622
Insurance	204,929	45,629	250,558
Dues and Miscellaneous	90,071	41,719	131,790
Security	99,089	-	99,089
Phone, Internet, and Postage	35,819	2,259	38,078
Advertising	6,106	19,624	25,730
Depreciation	15,102	-	15,102
Travel	8,243	4,271	12,514
Total	<u>\$ 16,258,655</u>	<u>\$ 3,027,190</u>	<u>\$ 19,285,845</u>

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2019**

Cash Flows from Operating Activities

Change in Net Assets	\$ 478,166
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	15,102
Decrease in Grants Receivable	412,016
Decrease in Accrued Liabilities	(93,938)
Decrease in Accounts Payable	<u>(302,578)</u>
Total Adjustments	<u>30,602</u>
Net Cash Provided by Operating Activities	508,768
Cash and Cash Equivalents, Beginning of Year	<u>4,483,191</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,991,959</u></u>

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Einstein Group, Inc. (the Corporation) was created as a non-profit corporation under the laws of the State of Louisiana on January 27, 2004. The Corporation applied to the Orleans Parish School Board to operate a Type 1 charter school. The Corporation does business as Einstein Charter Schools (Einstein). On March 21, 2005, the Orleans Parish School Board approved the charter of The Einstein Group, Inc. to create the Einstein Charter Schools. In July 2011, Einstein received a 6-year extension of the charter. Einstein serves eligible students in pre-kindergarten through eighth grade.

During the year ended June 30, 2013, Einstein amended its charter agreement to include two locations. This was due to Einstein taking over the operations of a nearby charter school location. Effective July 1, 2013, the Corporation began operations of the new campus.

During the year ended June 30, 2015, Einstein amended its charter agreement to add high school grades 9 - 12. This was due to Einstein taking over the operations of a nearby charter school location. Effective July 1, 2015, the Corporation began operations of a middle school at the new campus. Effective August 2016, the Corporation began operations of a high school at that same location.

On March 16, 2017, the Orleans Parish School Board approved each of the School's application to be considered their own Local Educational Agency (LEA). Effective July 1, 2017, the Orleans Parish School Board extended the charter of each School for five years and entered into an operating agreement that terminates on June 30, 2022.

Einstein leases its campuses rent free from the Louisiana Recovery School District.

A summary of Einstein's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Einstein is required to record unconditional promises to give (pledges) as receivables and revenues and to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under FASB ASC 958, Einstein is required to report information regarding its financial position and activities according to two classes of net assets:

- a. Net Assets Without Donor Restrictions
- b. Net Assets With Donor Restrictions

In addition, Einstein is required to present a statement of cash flows.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of Einstein are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenues

Einstein's primary source of funding is through the State and Local Public School Funding which made up 76% of its funding. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Grants and contributions are recognized when the donor makes a promise to give to Einstein that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of Einstein.

Net Assets

Einstein is required to report information regarding its financial position and activities according to two classes of net assets, which are the following:

Net Assets Without Donor Restrictions - Net assets that are resources available to support operations.

Net Assets With Donor Restrictions - Net assets that are resources that are restricted by the donor for use for a particular purpose or in a particular future period. When the donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions.

Income Taxes

Einstein is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Einstein's tax-exempt purpose is subject to taxation as unrelated business income.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, Einstein considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

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

Concentrations

Einstein received 76% of its revenues in the year ended June 30, 2019 from the State Public School Funding subject to its charter school contract, and 21% of its funding from the federal government.

As noted earlier, Einstein is leasing its buildings from the Louisiana Recovery School District rent free. Should these leases not be extended further, it would have an unfavorable impact to Einstein.

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 is effective for nonpublic organizations for annual reporting periods beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2020. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Einstein implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no reclassification of net assets.

Liquidity and Availability

Einstein's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. It regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources that Einstein has available. In addition, Einstein operates with a budget to monitor sources and uses of funds throughout the year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 4,991,959
Grants Receivable	<u>170,818</u>
Total	<u>\$ 5,162,777</u>

Note 2. Cash and Cash Equivalents

Einstein's cash and cash equivalents (book balances) at June 30, 2019 were \$4,991,959, which are stated at cost and approximate market.

Note 3. Restriction on Assets

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of Einstein. These restrictions are considered to expire when payments for restricted purposes are made. At June 30, 2019, Einstein had \$87,500 in net assets with donor restrictions.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 4. Grants Receivable

As of June 30, 2019, grants receivable totaled \$170,818, which is a combination of state and federal grants. The grants receivable balance is considered to be fully collectible.

Note 5. Fixed Assets

Depreciation expense for the year ended June 30, 2019 was \$15,102. Depreciation is calculated using the straight-line method with useful lives of 5 years.

All assets acquired with Louisiana Department of Education funds are owned by Einstein while used in the purpose for which they were purchased. The Louisiana 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.

Note 6. Accrued Liabilities

As of June 30, 2019, Einstein has recorded accrued liabilities of \$889,053. The entire amount is for employee salaries and other related employee benefits.

Note 7. Line of Credit

Einstein had a \$500,000 unsecured line of credit with a 3.25% interest rate that expired June 8, 2019. There were no borrowings outstanding against the line of credit at June 30, 2019.

Note 8. Retirement Plan

Certain employees of Einstein participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows.

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Retirement Plan (Continued)

Plan Description

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. At June 30, 2018, the TRSL was 68.2% funded. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. Einstein is required to contribute at an actuarially determined rate. During the year ended June 30, 2018, the employer contribution rate was 26.7%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. Einstein's contribution to the plan for the years ended June 30, 2019, 2018, and 2017, was \$2,434,254, \$2,701,436, and \$2,323,350, respectively, which was equal to the required contribution.

Note 9. Uncertain Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Einstein believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in general administration expenses.

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The Einstein Group, Inc.
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by The Einstein Group, Inc. (Einstein), 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 Einstein for the fiscal year ended June 30, 2019, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514-1. Management of Einstein is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

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 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 (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1st 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 (NO SCHEDULE)

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

Findings: None.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

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 United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Einstein, as required by Louisiana Revised Statute 24:514.1, 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
December 9, 2019

THE EINSTEIN GROUP, INC.
Schedules Required by Louisiana 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 - 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.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 3,838,875	
Other Instructional Staff Salaries	1,338,427	
Instructional Staff Employee Benefits	2,433,904	
Purchased Professional and Technical Services	863,570	
Instructional Materials and Supplies	454,627	
Instructional Equipment	-	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 8,929,403
Other Instructional Activities		18,012
Pupil Support Services	633,960	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
Net Pupil Support Services		633,960
Instructional Staff Services	179,373	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		179,373
School Administration	1,497,233	
Less: Equipment for School Administration	-	
	<hr/>	
Net School Administration		1,497,233
		<hr/>
Total General Fund Instructional Expenditures		\$ 11,257,981
		<hr/>
Total General Fund Equipment Expenditures		\$ -

Certain Local Revenue Sources

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes		
Other than School Taxes	-	
Sales and Use Taxes	-	
	<hr/>	
Total Local Taxation Revenue		\$ -
		<hr/>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
Total Local Earnings on Investment in Real Property		\$ -
		<hr/>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
Total State Revenue in Lieu of Taxes		\$ -
		<hr/>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	
	<hr/>	

See independent accountant's report on applying agreed-upon procedures.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2018**

Schedule 2

School Type	Class Size Range								Totals	
	1-20		21-26		27-33		34+			
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	21%	9	74%	31	5%	2	0%	0	100%	42
Middle/Jr. High	38%	6	38%	6	24%	4	0%	0	100%	16
High	67%	8	33%	4	0%	0	0%	0	100%	12

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2019**

<u>Board Members</u>	<u>Compensation</u>
Durrell Laurant, President 3440 Peoples Avenue New Orleans, LA 70122 (504) 931-6256	\$-0-
Lauren Narcisse 2713 Jasmin Street New Orleans, LA 70122 (919) 599-2235	\$-0-
John C. Bowman III 236 East 28 th Street Larose, LA 70373 (985) 696-5220	\$-0-
Clarice T. Kirkland P.O. Box 870243 New Orleans, LA 70122 (504) 253-9854	\$-0-
Maya Edwards 13241 Saint Helena Place New Orleans, LA 70129 (504) 403-7521	\$-0-
Angela Vance 4769 Sherwood Drive New Orleans, LA 70128 (504) 267-5294	\$-0-
Sarah Dawkins 619 S. White Street New Orleans, LA 70119 (504) 822-2414	\$-0-

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedules of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2019

Agency Head

Michael McKenzie, Sr., CEO (February 25, 2019 to June 30, 2019)

Purpose	Amount
Salary	\$55,385
Stipend	\$7,500
Vacation/Sick Payout	\$5,517
Benefits - Health Insurance	\$2,853
Benefits - Retirement	\$16,790
Benefits - Life Insurance	\$0
Benefits - Worker's Compensation	\$0
Benefits - Dental	\$0
Benefits - Vision	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$2,000
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedules of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer (Continued)
For the Year Ended June 30, 2019

Agency Head

Dan Davis, Interim CEO (July 1, 2018 to February 24, 2019)

Purpose	Amount
Salary	\$182,710
Vacation/Sick Payout	\$2,235
Benefits - Health Insurance	\$2,853
Benefits - Health Insurance	\$7,325
Benefits - Retirement	\$49,028
Benefits - Life Insurance	\$0
Benefits - Worker's Compensation	\$0
Benefits - Dental	\$0
Benefits - Vision	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$880
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Financial Position by School
June 30, 2019

	Village D'Lest Charter School	Reed Middle Charter School	Reed High Charter School	Sherwood Forest Charter School	Eliminations	Total
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 2,202,241	\$ 1,056,383	\$ 8,415	\$ 1,724,920	\$ -	\$ 4,991,959
Grants Receivable	61,621	-	-	109,197	-	170,818
Total Current Assets	2,263,862	1,056,383	8,415	1,834,117	-	5,162,777
Property and Equipment						
Furniture, Fixtures, and Equipment	305,402	-	-	83,348	-	388,750
Less: Accumulated Depreciation	(303,016)	-	-	(83,348)	-	(386,364)
Net Property and Equipment	2,386	-	-	-	-	2,386
Total Assets	\$ 2,266,248	\$ 1,056,383	\$ 8,415	\$ 1,834,117	\$ -	\$ 5,165,163
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 12,529	\$ 12,400	\$ 515,462	\$ 46,449	\$ -	586,840
Accrued Liabilities	218,586	217,218	125,870	327,379	-	889,053
Total Current Liabilities	231,115	229,618	641,332	373,828	-	1,475,893
Net Assets						
With Donor Restrictions	10,000	8,500	64,000	5,000	-	87,500
Without Donor Restrictions	2,025,133	818,265	(696,917)	1,455,289	-	3,601,770
Total Net Assets	2,035,133	826,765	(632,917)	1,460,289	-	3,689,270
Total Liabilities and Net Assets	\$ 2,266,248	\$ 1,056,383	\$ 8,415	\$ 1,834,117	\$ -	\$ 5,165,163

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Activities by School
For the Year Ended June 30, 2019

	Village D'Lest Charter School			Reed Middle Charter School			Reed High Charter School		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue									
State and Local Public School Funding	\$ 4,085,168	\$ -	\$ 4,085,168	\$ 3,824,884	\$ -	\$ 3,824,884	\$ 2,864,754	\$ -	\$ 2,864,754
Federal Grants									
School Food Service Revenue	357,111	-	357,111	280,665	-	280,665	149,032	-	149,032
Grants for Education	875,414	-	875,414	580,259	-	580,259	481,689	-	481,689
Other Grants and Contributions	109,365	10,000	119,365	27,110	8,500	35,610	108,339	64,000	172,339
Total Support and Revenue	5,427,058	10,000	5,437,058	4,712,918	8,500	4,721,418	3,603,814	64,000	3,667,814
Expenses									
Program Services									
Regular Education Programs	2,125,491	-	2,125,491	1,896,240	-	1,896,240	1,286,987	-	1,286,987
Special Education Programs	297,192	-	297,192	347,251	-	347,251	304,885	-	304,885
Career and Technical Education Programs	-	-	-	-	-	-	343,612	-	343,612
Special Programs	124,735	-	124,735	-	-	-	-	-	-
Other Instructional Programs	351,938	-	351,938	130,198	-	130,198	64,968	-	64,968
Pupil Support Services	147,509	-	147,509	164,839	-	164,839	183,259	-	183,259
Instructional Staff Services	27,781	-	27,781	22,768	-	22,768	15,674	-	15,674
School Administration	139,382	-	139,382	306,901	-	306,901	324,752	-	324,752
Operation and Maintenance	401,684	-	401,684	455,365	-	455,365	257,598	-	257,598
Student Transportation Services	200,803	-	200,803	274,021	-	274,021	128,889	-	128,889
Food Service	251,269	-	251,269	223,724	-	223,724	114,943	-	114,943
Depreciation	9,546	-	9,546	-	-	-	-	-	-
Management and General									
School Administration	25,201	-	25,201	22,413	-	22,413	11,925	-	11,925
General Administration	120,222	-	120,222	45,459	-	45,459	26,273	-	26,273
Business Services	969	-	969	969	-	969	13,603	-	13,603
Central Services	802,684	-	802,684	689,389	-	689,389	386,957	-	386,957
Total Expenses	5,026,406	-	5,026,406	4,579,537	-	4,579,537	3,464,325	-	3,464,325
Change in Net Assets	400,652	10,000	410,652	133,381	8,500	141,881	139,489	64,000	203,489
Net Assets, Beginning of Year	1,624,481	-	1,624,481	684,884	-	684,884	(836,406)	-	(836,406)
Net Assets, End of Year	\$ 2,025,133	\$ 10,000	\$ 2,035,133	\$ 818,265	\$ 8,500	\$ 826,765	\$ (696,917)	\$ 64,000	\$ (632,917)

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Activities by School (Continued)
For the Year Ended June 30, 2019

	Sherwood Forest Charter School			Eliminating			Without Donor Restrictions	With Donor Restrictions	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Support and Revenue									
State and Local Public School Funding	\$ 4,177,718	\$ -	\$ 4,177,718	\$ -	\$ -	\$ -	\$ 14,952,524	\$ -	\$ 14,952,524
Federal Grants									
School Food Service Revenue	409,632	-	409,632	-	-	-	1,196,440	-	1,196,440
Grants for Education	1,111,850	-	1,111,850	-	-	-	3,049,212	-	3,049,212
Other Grants and Contributions	233,521	5,000	238,521	-	-	-	478,335	87,500	565,835
Total Support and Revenue	5,932,721	5,000	5,937,721	-	-	-	19,676,511	87,500	19,764,011
Expenses									
Program Services									
Regular Education Programs	2,024,897	-	2,024,897	-	-	-	7,333,615	-	7,333,615
Special Education Programs	592,850	-	592,850	-	-	-	1,542,178	-	1,542,178
Career and Technical Education Programs	-	-	-	-	-	-	343,612	-	343,612
Special Programs	375,335	-	375,335	-	-	-	500,070	-	500,070
Other Instructional Programs	373,477	-	373,477	-	-	-	920,581	-	920,581
Pupil Support Services	166,305	-	166,305	-	-	-	661,912	-	661,912
Instructional Staff Services	114,052	-	114,052	-	-	-	180,275	-	180,275
School Administration	645,909	-	645,909	-	-	-	1,416,944	-	1,416,944
Operation and Maintenance	499,931	-	499,931	-	-	-	1,614,578	-	1,614,578
Student Transportation Services	217,014	-	217,014	-	-	-	820,727	-	820,727
Food Service	319,125	-	319,125	-	-	-	909,061	-	909,061
Depreciation	5,556	-	5,556	-	-	-	15,102	-	15,102
Management and General									
School Administration	25,725	-	25,725	-	-	-	85,264	-	85,264
General Administration	54,701	-	54,701	-	-	-	246,655	-	246,655
Business Services	4,331	-	4,331	-	-	-	19,872	-	19,872
Central Services	796,369	-	796,369	-	-	-	2,675,399	-	2,675,399
Total Expenses	6,215,577	-	6,215,577	-	-	-	19,285,845	-	19,285,845
Change in Net Assets	(282,856)	5,000	(277,856)	-	-	-	390,666	87,500	478,166
Net Assets, Beginning of Year	1,738,145	-	1,738,145	-	-	-	3,211,104	-	3,211,104
Net Assets, End of Year	\$ 1,455,289	\$ 5,000	\$ 1,460,289	\$ -	\$ -	\$ -	\$ 3,601,770	\$ 87,500	\$ 3,689,270

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
New Orleans, 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 The Einstein Group, Inc., d/b/a Einstein Charter Schools (Einstein), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Einstein's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Einstein'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 Einstein's internal control and compliance. Accordingly, this communication 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
December 9, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited The Einstein Group, Inc., d/b/a Einstein Charter School's (Einstein), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Einstein's major federal programs for the year ended June 30, 2019. Einstein's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Einstein's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Einstein'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 programs. However, our audit does not provide a legal determination of Einstein's compliance.

Opinion on Major Federal Programs

In our opinion, Einstein 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 programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 9, 2019

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Agriculture		
(Passed through the State of Louisiana)		
Child Nutrition Cluster		
National School Lunch Program	10.555 *	\$ 1,074,147
Total Child Nutrition Cluster		<u>1,074,147</u>
Child and Adult Care Food Program	10.558	<u>122,293</u>
Total United States Department of Agriculture		<u>1,196,440</u>
United States Department of Education		
Charter Schools	84.282	589,755
(Passed through the Louisiana Department of Education)		
Twenty-First Century Community Learning Centers	84.287	393,305
Title I Grants to Local Educational Agencies	84.010	990,178
Career and Technical Education - Basic Grants to States	84.048	79,770
Special Education Cluster		
Special Education Grants to States	84.027	400,445
Preschool Grants	84.173	5,167
School Climate Transformation Grant	84.184G	136,111
English Language Acquisition State Grants	84.365	47,508
Improving Teacher Quality State Grants	84.367	<u>107,430</u>
Total United States Department of Education		<u>2,749,669</u>
United States Department of Health and Human Services		
Passed through the Louisiana Department of Education		
Temporary Assistance for Needy Families (TANF)	93.558 *	<u>299,543</u>
Total United States Department of Health and Human Services		<u>299,543</u>
Total Expenditures of Federal Awards		<u><u>\$ 4,245,652</u></u>

* Indicates major program.

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Accounting

The schedule is prepared on the accrual basis of accounting.

Note 2. De Minimis Cost Rate

The 10% de minimis indirect cost rate was used for Charter Schools (84.282).

See notes to schedule of expenditures of federal awards.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

- | | |
|----------------------------------------------------------------------------------|---------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c) Noncompliance noted? | No |
| 3) Management letter comment provided? | None |

Federal Awards

- | | |
|---------------------------------------------------------------------------------------------|---------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5) Type of auditor's report issued on compliance for major programs | Unmodified |
| 6) Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7) Identification of major programs | |
| 10.555 - Child Nutrition Cluster | |
| 93.558 - Temporary Assistance for Needy Families | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 9) Auditee qualified as a low-risk auditee under Uniform Guidance | Yes |

Section II. Internal Control Over Financial Reporting

None.

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

None.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2019

None.

AGREED-UPON PROCEDURES REPORT

The Einstein Group, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2018 - June 30, 2019

To The Einstein Group, Inc. and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The Einstein Group, Inc. (Einstein) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2018 through June 30, 2019. Einstein's management is responsible for those C/C areas identified in the SAUPs. 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 results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - 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).

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

- 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 of statements, 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.

Results: Procedures a) through h) and j) are not applicable due to there being no exceptions found in the prior year. Procedure i) was met without exception. When performing procedure k), we noted an exception due to Einstein not having a formal written disaster recovery/ business continuity plan.

Ethics

- 2. Using five randomly selected employees/officials, 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.

Results: We selected five randomly employees and obtained ethics documentation associated with one hour ethics training course. No exceptions were noted.

- 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.

Results: No exceptions were noted in the five employees tested.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
December 9, 2019



The mission of Einstein Schools is to nurture students to be academically STRONG as well as socially and emotionally resilient.

December 9, 2019

Mr. Daryl Purpera
Louisiana Legislative Auditor
1600 N 3rd St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

The management of Einstein Charter Schools wishes to provide the following response relative to the results of the 2019 statewide agreed-upon procedures engagement.:

1. Management will create a written policy on 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.

Sincerely,

LaKenya Collins
Chief Financial Officer