

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**FINANCIAL REPORT**

June 30, 2015

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Foundation for East Baton Rouge School System, Inc.  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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 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 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** as of June 30, 2015, 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.

## ***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses and Schedule of Compensation, Benefits, and Other Payments to Agency Head on pages 14 and 15, respectively, 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2015 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Faulk & Wickler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
December 9, 2015

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**STATEMENT OF FINANCIAL POSITION**

June 30, 2015

(with comparative amounts for 2014)

	<u>2015</u>	<u>2014</u>
<b>CURRENT</b>		
Cash	\$ 98,625	\$ 77,238
Restricted cash	464,673	94,835
Unconditional promises to give	<u>57,000</u>	<u>83,500</u>
Total current assets	620,298	255,573
<b>LONG-TERM UNCONDITIONAL PROMISES TO GIVE, net</b>	3,715	6,906
<b>FURNITURE AND EQUIPMENT, net</b>	<u>2,909</u>	<u>3,182</u>
Total assets	<u>\$ 626,922</u>	<u>\$ 265,661</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,130	\$ 1,073
Agency funds payable	<u>32,138</u>	<u>59,374</u>
Total liabilities	<u>42,268</u>	<u>60,447</u>
<b>NET ASSETS</b>		
Unrestricted	159,404	173,686
Temporarily restricted	<u>425,250</u>	<u>31,528</u>
Total net assets	<u>584,654</u>	<u>205,214</u>
Total liabilities and net assets	<u>\$ 626,922</u>	<u>\$ 265,661</u>

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

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2015  
(with summarized comparative totals for 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 36,815	\$ 494,219	\$ 531,034	\$ 212,084
In-kind	188,157	-	188,157	188,157
Other	415	-	415	182
Total revenue and support	225,387	494,219	719,606	400,423
Net assets released from restrictions	100,497	(100,497)	-	-
Total revenue and support and net assets released from restrictions	325,884	393,722	719,606	400,423
<b>EXPENSES</b>				
Program services	257,671	-	257,671	230,083
Management and general	82,495	-	82,495	57,227
Total expenses	340,166	-	340,166	287,310
Change in net assets	(14,282)	393,722	379,440	113,113
<b>NET ASSETS</b>				
Beginning of year	173,686	31,528	205,214	92,101
End of year	\$ 159,404	\$ 425,250	\$ 584,654	\$ 205,214

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

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2015  
(with comparative amounts for 2014)

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 379,440	\$ 113,113
Adjustments for non-cash items:		
Depreciation	273	273
Discount on long-term unconditional promises to give	(309)	594
Change in operating assets and liabilities:		
Decrease (increase) in unconditional promises to give	30,000	(61,000)
Increase (decrease) in accounts payable	9,057	(2,943)
Net cash provided by operating activities	418,461	50,037
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
(Decrease) increase in agency funds payable	(27,236)	42,429
Net change in cash	391,225	92,466
<b>CASH</b>		
Beginning of year	172,073	79,607
End of year	<u>\$ 563,298</u>	<u>\$ 172,073</u>
<b>CASH</b>		
Cash	\$ 98,625	\$ 77,238
Restricted cash	464,673	94,835
Total cash	<u>\$ 563,298</u>	<u>\$ 172,073</u>

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

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities**

The Foundation for East Baton Rouge School System, Inc. (the Foundation) is a nonprofit corporation organized under Louisiana R.S. 12:201, and is dedicated to preparing students for successful post-secondary education, careers, and citizenship by supporting high-impact projects in the East Baton Rouge School System (the System) for which tax dollars are not available.

**Basis of presentation**

The Foundation prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2015.

The statement of activities presents expenses of the Foundation's operations functionally by program services and management and general.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are primarily used when accounting for depreciation and discounts on long-term unconditional promises to give. Actual results could differ from those estimates.

**Cash and restricted cash**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of amounts held by the Foundation for restricted purposes (\$432,535) and agency accounts for other schools within the System (\$32,138).



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Unconditional promises to give and revenue recognition**

Contributions are recognized when the donor makes a pledge to contribute to the Foundation that is, in substance, unconditional.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

### **Furniture and equipment**

Furniture and equipment are recorded at cost. Donated assets are recorded at their fair market value at the date of their gift. It is the Foundation's policy to capitalize property and equipment with a cost basis exceeding \$4,000. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

### **In-kind support**

Donated services and use of facilities are recorded at estimated fair value on the date of donation. The Foundation received \$188,157 as in-kind contributions during 2015, related to administrative support and facility use. (See Note 7).

### **Fair value of financial instruments**

Unless otherwise indicated, the carrying value of assets and liabilities approximate fair value due to the short-term maturity of these instruments.

### **Income taxes**

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. The Foundation's tax filings for the years 2013 through 2015 are open for audit by the Internal Revenue Service.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation. This reclassification is primarily related to \$94,835 previously presented as cash in the 2014 financial statements being reclassified to restricted cash to conform to the 2015 financial statement presentation. This reclassification had no effect on total cash reported in the 2014 financial statements.

**Subsequent events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

**NOTE 2 - UNCONDITIONAL PROMISES TO GIVE**

The Foundation's unconditional promises to give have collection periods through June 30, 2018. Unconditional promises to give in 2015 were recorded at present value net of a discount factor based on a risk free rate of 3%. At June 30, 2015, the expected collections by period of unconditional promises to give were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 57,000
2017	2,000
2018	2,000
Less discounts to present value	<u>(285)</u>
Total unconditional promises to give, net	<u>\$ 60,715</u>

**NOTE 3 - FURNITURE AND EQUIPMENT**

The Foundation has capitalized furniture and equipment having useful lives of 10-15 years with a cost of \$3,560 and accumulated depreciation of \$651. The net book value of property and equipment at June 30, 2015, was \$2,909. Depreciation expense was \$273 for 2015.

(Continued)

**NOTE 4 - AGENCY FUNDS PAYABLE**

The Foundation collects and disburses funds on behalf of various schools and programs in the East Baton Rouge Parish School System. Cash balances related to the agency funds are included the Foundation's restricted cash balance in the statement of net position. Activity during 2015 was as follows:

	<u>2014</u>	<u>Deposits</u>	<u>Disbursements</u>	<u>2015</u>
Northdale Academy	\$ 53,250	\$ 78,500	\$ (112,013)	\$ 19,737
Glasgow Middle School	4,286	4,752	-	9,038
Athletics	1,438	-	-	1,438
Other schools	400	5,402	(3,877)	1,925
Total	<u>\$ 59,374</u>	<u>\$ 88,654</u>	<u>\$ (115,890)</u>	<u>\$ 32,138</u>

**NOTE 5 - RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of amounts restricted for the support of the East Baton Rouge School System. As of June 30, 2015, temporarily restricted net assets consisted of the following:

	<u>Amount</u>
Math and science	\$ 275,000
Robotics	61,250
Mentoring	42,754
Dual enrollment	40,000
Civic centers	6,076
Lamana scholarship	170
Total temporarily restricted net assets	<u>\$ 425,250</u>

**NOTE 6 - CONCENTRATIONS OF CREDIT RISK**

The Foundation solicits a majority of funds from individuals and corporations that reside in East Baton Rouge Parish, Louisiana. Additionally, approximately 82% of outstanding promises to give at June 30, 2015 were from one contributor, and was collected after year end.

**NOTE 7 - RELATED PARTY**

East Baton Rouge School System provides personnel, and facility and equipment use to the Foundation, which is recorded as in-kind support on the Statement of Activities. During 2015, \$188,157 was recorded to reflect the personnel (\$173,451), and facility use and maintenance (\$14,706) provided by the East Baton Rouge School System.

**Special Independent Auditors' Report**

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.  
Baton Rouge, Louisiana**

June 30, 2015



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

Board of Directors  
Foundation for East Baton Rouge School System, Inc.  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** (the Foundation) (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 the Foundation'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 is required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

This report is intended solely for the information and use of Management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
December 9, 2015

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**SCHEDULE OF FINDINGS AND RESPONSES**

For the year ended June 30, 2015

**1) Summary of Audit Results:**

- a) The type of report issued on the basic financial statements: **Unqualified opinion.**
- b) Significant deficiencies in internal control disclosed by the audit of financial Statements: **None.**

Material weaknesses: **None.**

- c) Noncompliance which is material to the basic financial statements: **None.**
- d) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **None.**

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**  
Baton Rouge, Louisiana

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

For the year ended June 30, 2015

**2014-1 SEGREGATION OF DUTIES (RESOLVED)**

In the current year, the Foundation implemented procedures to resolve this deficiency. The mail is now received and opened by an individual other than the person responsible for preparing and recording deposits. The individual who receives and opens the mail creates a log of checks for deposit before remittance to the individual who prepares and records the deposits. This check log is provided to the Board Treasurer who reconciles the log with the bank statement on a monthly basis.

However, due to the small size of the Foundation staff, we have also recommended that the Foundation explore the option of engaging a third party bank to provide a lockbox service for all checks received. This would provide an additional control over revenues and minimize the administrative duties of the Foundation staff. The Foundation intends to explore this recommendation in early 2016.

This finding is considered resolved.



**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**SCHEDULE OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2015  
(with summarized comparative totals for 2014)

	Program Services	Management and General	Total	
			2015	2014
<b>EXPENSES</b>				
Personnel	\$ 139,590	\$ 33,861	\$ 173,451	\$ 173,451
Mentoring	59,193	-	59,193	-
Robotics	41,897	-	41,897	25,376
Facilities and maintenance	-	15,381	15,381	15,731
Chessmates	13,409	-	13,409	3,725
Professional services	-	12,701	12,701	37,000
Conferences and travel	-	7,271	7,271	8,911
Supplies	-	3,651	3,651	5,214
Dues and subscriptions	-	2,805	2,805	4,223
Academics	2,500	-	2,500	-
Contract services	-	1,475	1,475	12,202
Depreciation	-	273	273	273
Other	1,082	5,077	6,159	1,204
Total expenses	<u>\$ 257,671</u>	<u>\$ 82,495</u>	<u>\$ 340,166</u>	<u>\$ 287,310</u>

**FOUNDATION FOR EAST BATON ROUGE  
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO AGENCY HEAD**

June 30, 2015

**Agency Head: Janet Pace**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0.00
Benefits - insurance	0.00
Benefits - retirement	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	960.00
Conference travel	1,473.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00
	<u>\$ 2,433.00</u>