

**FRENCH AND MONTESSORI
EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2023



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Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

Opinion

We have audited the financial statements of French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization), which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other schedules listed in the table of contents are presented for purposes of additional analysis and is 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 accompanying supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the Organization'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 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 Organization'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 the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 19, 2023

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2023

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 5,023,562
Grants Receivable	1,369,616
Interest Receivable	3,178
Prepaid Expenses	86,088
Total Current Assets	<u>6,482,444</u>
Other Assets	
Right-of-Use Asset, Net	165,580
Investments	599,737
Total Other Assets	<u>765,317</u>
Fixed Assets	
Site Improvements	4,071,752
Machinery, Equipment, Computers	607,633
Accumulated Depreciation	(2,487,687)
Total Fixed Assets, Net	<u>2,191,698</u>
Total Assets	<u><u>\$ 9,439,459</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 346,315
Accrued Expenses	443,954
Finance Lease Liability, Current Portion	40,904
Loan Payable, Current	84,182
Total Current Liabilities	<u>915,355</u>
Long-Term Liabilities	
Finance Lease Liability, Net of Current Portion	130,356
Loan Payable, Long-Term	1,608,836
Total Long-Term Liabilities	<u>1,739,192</u>
Total Liabilities	<u>2,654,547</u>
Net Assets	
Without Donor Restrictions	6,784,912
Total Net Assets	<u>6,784,912</u>
Total Liabilities and Net Assets	<u><u>\$ 9,439,459</u></u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restricted	Total
Revenue, Grants, Support, and Gains			
State and Local Public School Funding	\$ 14,863,824	\$ -	\$ 14,863,824
Federal Grants	3,617,219	-	3,617,219
Student Activity Revenue	237,614	-	237,614
Grants and Contributions	259,755	-	259,755
Fee Revenue	169,293	-	169,293
Other Income	154,085	-	154,085
Interest Income	20,175	-	20,175
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Total Revenue, Grants, Support, and Gains	19,321,965	-	19,321,965
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Expenses			
Program Services			
Student Instruction and Activities	14,628,566	-	14,628,566
Supporting Services			
Management and General	2,551,627	-	2,551,627
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Total Expenses	17,180,193	-	17,180,193
	<hr/>		
Change in Net Assets	2,141,772	-	2,141,772
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Net Assets, Beginning of Year	4,643,140	-	4,643,140
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Net Assets, End of Year	\$ 6,784,912	\$ -	\$ 6,784,912
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The accompanying notes are an integral part of these financial statements.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u> Student Instruction and Activities	<u>Supporting Services</u> Management and General	Total
Salaries	\$ 7,605,579	\$ 1,040,451	\$ 8,646,030
Benefits	2,207,330	296,443	2,503,773
Purchased Services	1,190,397	606,078	1,796,475
Materials	620,316	103,189	723,505
Depreciation and Amortization	696,212	-	696,212
Repairs and Maintenance	568,906	13,636	582,542
Food Service	470,865	-	470,865
Insurance	-	435,051	435,051
Student Transportation	384,750	-	384,750
Utilities	328,133	-	328,133
Dues	301,763	-	301,763
Other Expenses	68,802	53,871	122,673
Debt Service	102,326	-	102,326
Rentals	41,734	2,908	44,642
Disposal	29,453	-	29,453
Travel	12,000	-	12,000
Total Expenses	\$ 14,628,566	\$ 2,551,627	\$ 17,180,193

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

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,141,772
Adjustments to Reconcile Change in Net Assets to	
Net Cash (Used in) Provided by Operating Activities	
Net Realized and Unrealized Loss on Investments	14,931
Depreciation and Amortization of Fixed Assets	696,212
Amortization of Right-of-Use Asset	51,064
(Increase) Decrease in Assets	
Grants Receivable	402,431
Interest Receivable	151
Prepaid Expenses	106,347
Right-of-Use Asset	165,580
Increase (Decrease) in Liabilities	
Accounts Payable	138,452
Accrued Expenses	(410,489)
Deferred Revenue	(261,822)
Total Adjustments	<u>902,857</u>
Net Cash Provided by Operating Activities	<u>3,044,629</u>
Cash Flows from Investing Activities	
Sale of Investments	56,828
Purchases of Fixed Assets	(8,285)
Net Cash Provided by Investing Activities	<u>48,543</u>
Cash Flows from Financing Activities	
Payments on Construction Loan Payable	(370,944)
Principal Payments on Finance Leases	(45,384)
Net Cash Used in Financing Activities	<u>(416,328)</u>
Net Increase in Cash and Cash Equivalents	2,676,844
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,346,718</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,023,562</u>
Supplemental Disclosures of Cash Flow Information	
Finance Lease Liability Arising from Right-of-Use Assets	\$ 210,425
Cash Paid During the Year for Interest	<u>\$ 102,326</u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. The Organization operates two Type 3 charter schools with the Orleans Parish School Board (OPSB). The formation of the Organization was in response to the devastation left by Hurricane Katrina.

On January 12, 2006, the OPSB approved the charter of Audubon Charter School, d/b/a Audubon Uptown, Audubon Upper, and Audubon Lower. The initial charter was granted for five years and was subsequently renewed for another five-year term during 2011. On May 20, 2017, the Organization entered into a ten (10) year charter school operating agreement for Audubon Charter School with the OPSB commencing July 1, 2017 and expiring June 30, 2027. Under this new agreement, Audubon Charter School will operate as its own Local Education Authority (LEA). This school serves eligible students in pre-kindergarten through eighth grade. The Organization has leases with the OPSB to operate various campuses for Audubon Charter School, both of which expire on June 30, 2027 (See Note 9).

On April 21, 2018, the OPSB approved the charter of Audubon Schools Gentilly, d/b/a Audubon Gentilly. The initial charter was granted for five years expiring June 30, 2023. On July 1, 2023, the charter was renewed for an additional three years expiring June 30, 2026. Under this charter agreement, Audubon Schools Gentilly will operate as its own LEA. This school serves eligible students in pre-kindergarten through eighth grade. The Organization has a lease with the OPSB to operate Audubon Gentilly which expires on June 30, 2026 (See Note 9).

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

Basis of Net Asset Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON 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 the Organization are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in accordance 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.

Revenues

State Public School Funding

The Organization's primary source of funding is through the State Public School Fund (the State) and the Orleans Parish School Board. The Organization received \$14,863,824 from the State and OPSB based on eligible students in attendance paid on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Federal and State Grants

Federal and state grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred. The Organization received \$3,617,219 in various federal grants and \$0- in various state grants during the year. Substantially all of the Organization's federal and state grants were passed through the Louisiana Department of Education.

Private Grants and Contributions

Private grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

Other Income

Revenue from other sources, including student activities and fees, fundraisers, facility rentals, and after-care tuition, are recorded and recognized as revenue in the period in which the Organization provides the service at the amount that reflects the consideration to which the Organization expects to be entitled for providing the service or good.

Contracts vs. Contributions

The Organization utilizes the guidance in Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service, which is deemed to be the school year, which is simultaneous with the fiscal year. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to student activities and fees, after-care tuition, and pre-kindergarten tuition. The Organization measures the performance obligation throughout the school year. Revenue for performance obligations satisfied at a point in time, which include mainly income from meals and are generally immaterial, are recognized when services are provided. The Organization determines the transaction price based on standard charges for goods or services provided to students, which are predetermined by management. Fees are generally nonrefundable, and total refunds issued annually are considered negligible.

Functional Expenses

The costs of providing activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocated if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or on the basis of student count. There were no such allocated expenses during the year ended June 30, 2023.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Grants and Contributions Receivable

Private grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. 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 depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. Management does not estimate any amounts to be uncollectible. Grants and contributions receivable due in more than one year are recognized at fair value. The Organization uses a discount rate based on the U.S. treasury bill rate to discount long-term promises to give when the donor makes an unconditional promise to give to the Organization. As of June 30, 2023, there were no discounted long-term promises to give.

Cash and Cash Equivalents

During the year, cash and cash equivalents may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Organization's bank accounts from donations received from individuals or entities who specified the use of the contribution and amounts restricted by a contractual lease obligation.

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2023, the Organization held cash equivalents in money market funds comprised of governmental securities. See Note 2.

Fair Values of Financial Instruments

The Organization follows the provisions of the *Fair Value Measurement* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

- Level 3 Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023:

1. *Common Stocks.* Valued at the closing price reported on the active market on which the individual securities are traded.
2. *Self-Directed Brokerage Accounts.* Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

3. *Corporate Bonds.* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
4. *Mutual Funds.* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded
5. *Stable Value Collective Trust Fund.* A stable value fund that is composed primarily of fully benefit-responsive investment contracts that is valued at the net asset value of units of the bank collective trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the Organization initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months notification in order to ensure that securities liquidations will be carried out in an orderly business manner.
6. *U.S. Government Securities.* Valued using pricing models maximizing the use of observable inputs for similar securities.

The table in Note 8 sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the Organization's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest. Dividend and interest income are accrued when earned.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 the Organization. Depreciation expense for the year ended June 30, 2023 was \$696,212.

Income Taxes

The Organization is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

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. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, are included in income tax expense.

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. The Organization has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

Concentrations

For the year ended June 30, 2023, the Organization received 77% of its revenues from the Louisiana Department of Education, subject to its charter school contracts with the OPSB and 19% of its funding from the federal government and other Louisiana state grant programs passed through the Louisiana Department of Education.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations (Continued)

All of the students and employees of the Organization live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2023, the Organization's bank balances were \$4,788,422. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$2,200,708. Deposits of \$2,587,714 were uninsured and subject to custodial credit risk as of June 30, 2023. In addition, \$320,127 was held in a money market fund comprised of governmental securities which, therefore, is not subject to custodial credit risk at June 30, 2023.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agencies are to be used for educational purposes as described in the Organization's charter agreement and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets.

The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or July 1, 2022, for existing leases upon the adoption of Topic 842.

The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free rate, which is aligned with the lease term at the lease commencement date or remaining term for leases existing upon the adoption of Topic 842.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s finance lease of \$210,425 at July 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

The Organization revised its estimated useful lives of certain leasehold improvements upon adoption of ASC 842.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Liquidity and Availability

The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Organization has available. In addition, the Organization operates with a budget to monitor sources and use 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	\$ 5,023,562
Grants Receivable	1,369,616
Interest Receivable	<u>3,178</u>
Total	<u>\$ 6,396,356</u>

Note 2. Cash and Cash Equivalents

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position at June 30, 2023 that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and Cash Equivalents	\$ 4,703,435
Cash Equivalents, Money Market Funds	<u>320,127</u>
Total Cash and Cash Equivalents	<u>\$ 5,023,562</u>

The Organization's cash and restricted cash (book balances) at June 30, 2023 are stated at cost and approximates market.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 3. Investments

Investments consisted of the following as of June 30, 2023:

	Fair Market Value	Cost or Assigned Amount
U.S. Treasury Bonds	\$ 331,412	\$ 356,766
Corporate Bonds	181,958	206,743
Mortgage Pass-Through Securities	86,367	101,677
Total	\$ 599,737	\$ 665,186

Note 4. Grants Receivable

As of June 30, 2023, gross grants receivable totaled \$1,369,616, which include receivables for Minimum Foundation Program (MFP) payments, private grants and contributions receivable, and receivables for federal grants and state grants passed through the Louisiana Department of Education. All receivables are considered to be fully collectible.

Note 5. Accrued Expenses

Accrued expenses consisted of the following as of June 30, 2023:

Payroll Deductions and Withholdings	\$ 352,549
Accrued Payroll	90,347
Other Accrued Expenses	1,058
Total	\$ 443,954

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 6. Debt

Line of Credit

During September 2018, the Organization entered into a line of credit with a bank allowing for borrowings up to \$300,000 with a maturity date of September 18, 2023. Interest accrues at the Wall Street Journal Prime Rate. During 2019, the balance on this line of credit was transferred to a term loan (see paragraph below). The outstanding balance on the line of credit was \$-0- as of June 30, 2023.

Term Loan

During July 2019, the Organization entered into a construction line of credit and term loan agreement with a bank. The agreement provides for a non-revolving line of credit loan up to \$4,800,000, subject to construction project cost limits. The non-revolving line of credit loan incurs a variable interest rate and matured on July 26, 2021. Upon maturity, the non-revolving line of credit loan converted to a term loan, which is payable in monthly installments beginning August 26, 2021, incurs an interest rate of 5.25%, and matures on July 26, 2029. The outstanding balance on the loan was \$1,693,018 as of June 30, 2023.

The agreement is subject to various covenants and is collateralized by a mortgage. For the year ended June 30, 2023, the Organization reported to its financial institution that it was in compliance with these covenants.

Maturities of this term loan as of June 30, 2023 are as follows:

Year Ended June 30,	Amount
2024	\$ 84,182
2025	89,016
2026	93,872
2027	98,992
2028	104,206
Thereafter	<u>1,222,750</u>
Total	<u>\$ 1,693,018</u>

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Retirement Plans

Teachers' Retirement System of Louisiana (TRSL)

Certain employees of the Organization 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.

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. 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. At June 30, 2022, the TRSL was 72.4% funded.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. The Organization is required to contribute at an actuarially determined rate. During the year ended June 30, 2023, the employer contribution rate was 24.8%. 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. The Organization's contribution to the plan for the year ended June 30, 2023 was \$1,533,598.

403(b) Plan

During January 2018, the Organization established a 403(b) plan which went into effect on August 1, 2018. Certain employees of the Organization participate in this 403(b) plan sponsored by the Organization. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. The 403(b) plan offers a discretionary match which is determined annually by the Organization. The 403(b) plan also offers a discretionary employer contribution, which is determined annually by the Organization. Eligible employees become fully vested in their allocated discretionary matching and employer contributions after four years of service with the Organization. The Organization's contribution to the plan for the year ended June 30, 2023 was \$67,824.

Note 8. Fair Value of Financial Instruments

The Organization's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of the Organization's accounting policies and valuation procedures.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Fair Value of Financial Instruments (Continued)

The valuation of the Organization's assets measured at fair value on a recurring basis at June 30, 2023 was as follows:

	Level 1	Level 2	Level 3	Fair Value Total
Investments				
U.S. Treasury Bonds	\$ 331,412	\$ -	\$ -	\$ 331,412
Corporate Bonds	181,958	-	-	181,958
Mortgage Pass-Through Securities	-	86,367	-	86,367
Total Investments	\$ 513,370	\$ 86,367	\$ -	\$ 599,737

The FASB issued an ASU pertaining to *Fair Value Measurement and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share.

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash.

Listed below are the carrying amounts of financial instruments which approximate fair value at June 30, 2023:

	Carrying Amount	Fair Value
Financial Assets		
Cash and Cash Equivalents	\$ 5,023,562	\$ 5,023,562
Grant Receivables	1,369,616	1,369,616
Interest Receivable	3,178	3,178
Investments	599,737	599,737
Financial Liabilities		
Accounts Payable	346,315	346,315
Accrued Expenses	443,954	443,954

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 9. Leases

Charter School Leases

The Organization has three (3) lease agreements with the OPSB which allow the Organization to use the facilities and contents of various school sites in New Orleans, Louisiana. The addresses and expirations are as follows:

- 4720 Painters Street, expiring June 30, 2026
- 3128 Constance Street, expiring June 30, 2027
- 4285 Broadway Street, expiring June 30, 2027

All of the aforementioned leases call for payments based on a Use Fee and participation in OPSB's Per Pupil Unit Cost Program. The Use Fee is calculated annually and withheld from MFP funds by OPSB. The calculation is based on each charter schools per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled school facilities participating in the Per Pupil Unit Cost Program, and includes any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship.

All of the aforementioned leases are contingent upon the existence of the charter operating agreements between the Organization and the OPSB.

Use of the properties in the aforementioned leases is not recorded as an in-kind contribution from, or related rent expense to, the OPSB as the value of the use of the land and building is not readily determinable.

The Organization had previously entered into a lease agreement with the OPSB for the Audubon Schools Gentilly campus facilities at 4720 Painters Street, maturing in 2048. This lease was superseded by a lease maturing June 30, 2026, which was executed in June 2023. The lease previously required that the Organization develop and maintain a capital fund reserve based on the estimated value of the leased property. This requirement was not included within the new lease. The Organization de-restricted cash balances held in the Organization's operating account totaling \$307,700 during June 2023.

Finance Leases

The Organization leases equipment under a finance lease agreement with an initial term of 5 years and an interest rate of 3.01%. The Organization's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 9. Leases (Continued)

Finance Leases (Continued)

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Finance Lease Cost - Amortization of Right-of-Use Assets	\$ 44,845
Finance Lease Cost - Interest on Lease Liabilities	<u>5,691</u>
Total Lease Cost	<u>\$ 50,536</u>

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Finance Leases Right-of-Use Assets, Net:	
Equipment	<u>\$ 165,580</u>
Total Finance Lease Right-of-Use Assets, Net	<u>\$ 165,580</u>
Other Information:	
Weighted Average Remaining Lease Term (in Years):	
Finance Leases	4.0
Weighted Average Discount Rate:	
Finance Leases	3.01%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation of the lease liabilities recognized on the statement of financial position are as follows as of June 30, 2023:

Year Ending June 30,	Finance
2024	\$ 45,384
2025	45,384
2026	45,384
2027	<u>45,384</u>
Total Lease Payments	181,536
Less: Imputed Interest	<u>(10,276)</u>
Total Present Value of Lease Liabilities	<u>\$ 171,260</u>

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by donors for specific programs, purposes, student activities, or to assist specific departments of the Organization. These restrictions are considered to expire when payments for restricted purposes are made. Certain net assets with donor restrictions are time-restricted by donors. As of June 30, 2023, the Organization did not have any net assets with donor restrictions.

Note 11. Commitments and Contingencies

In the normal course of business, the Organization is periodically engaged in various legal proceedings incidental to its normal business activities. The resolution of such matters is not expected to have a material adverse effect on the Organization's financial position, statement of activities, or cash flows.

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries and illnesses; natural disasters; and health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2023.

Note 12. Charter Management Operator (CMO Fees)

As the administrator of the schools, the Organization incurs and records overhead costs on behalf of all of its schools. Management of the Organization estimates an allocable amount of these costs to be charged to the schools on an annual basis using a predetermined rate and student head count. CMO fees allocated and charged to schools during the year ended June 30, 2023 have been eliminated from other income and management and general expenses on the accompanying statement of activities and changes in net assets.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2023, and determined that the following event occurred that requires disclosure:

On July 1, 2023, the OPSB approved the charter of Audubon Schools Gentilly, d/b/a Audubon Gentilly for a three year period expiring June 30, 2026.

No further subsequent events occurring after December 19, 2023 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2023**

Board Members	Compensation
Lourdes Moran (Board Chair)	\$-0-
Kevin Wilkins (Vice Chair)	\$-0-
Darleen Mipro (Secretary)	\$-0-
Harold "Trey" LeBlanc (Treasurer)	\$-0-
Chan Tucker (French Parent Representative)	\$-0-
Greg Lawson (Montessori Parent Representative)	\$-0-
Nathan Beras (Ex-Officio)	\$-0-
Jorge Perez	\$-0-
Ramona Fernandez, J.D.	\$-0-
Brendan Connick, J.D.	\$-0-
Claire Lebas, Ph.D	\$-0-
Rachel Kirschman	\$-0-
Ben Levine	\$-0-

See independent auditor's report.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2023**

Agency Head
Dr. Steven Corbett, CEO

Purpose	Amount
Salary	\$132,819
Benefits-Health Insurance	\$0
Benefits-Retirement	\$32,983
Deferred Compensation	\$0
Workers Comp	\$0
Benefits-Life Insurance	\$65
Benefits-Long Term Disability	\$33
Benefits-FICA And Medicare	\$1,926
Car Allowance	\$0
Vehicle Provided By Government	\$0
Cell Phone	\$0
Dues	\$0
Vehicle Rental	\$0
Per Diem	\$0
Reimbursements	\$239
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Unvouchered Expenses	\$0
Meetings And Conventions	\$0
Other	\$0

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
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of French and Montessori Education, Inc. d/b/a Audubon Schools (the Organization), which comprise the statement of financial position as of June 30, 2023, and 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, and have issued our report thereon dated December 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2023-01.

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.

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 "LaPorte".

A Professional Accounting Corporation

Covington, LA
December 19, 2023

**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
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited French and Montessori Education, Inc. d/b/a Audubon Schools' (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibility under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

A Professional Accounting Corporation

Covington, LA
December 19, 2023

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>United States Department Agriculture</u>			
Passed through the Louisiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.553	Unknown	\$ 281,450
Supply Chain Assistance Funds	10.555	Unknown	42,989
P-EBT Administrative Costs	10.649	Unknown	<u>653</u>
Total Child Nutrition Cluster			325,092
Total United States Department of Agriculture			<u>325,092</u>
<u>United States Department of Education</u>			
Passed through the Louisiana Department of Education			
Title I Grants to Local Education Agencies (LEAs)	84.010A	28-21-T1-WZ, 28-21-T1-WY	595,928
Title I - Part A (Redesign 1003a)	84.010A	28-22-RD19-WZ	<u>8,700</u>
Total Title I			604,628
Title IIA - Supporting Effective Student Instruction	84.367A	28-23-50-(WZ, WY)	<u>99,876</u>
Title IV - Student Support and Academic Enrichment Program	84.424A	28-22-71-WZ	<u>4,063</u>
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER_I_Formula)	84.425D*	28-20-ESRI-(WZ, WY)	23,164
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER_II_Formula)	84.425D*	28-21-ES2F-(WZ, WY)	605,755
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER_III_Formula)	84.425U*	28-21-ES3F-(WZ, WY)	1,241,305
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER_III_Intervention)	84.425U*	28-21-ESEB-(WZ, WY)	205,472
Total Education Stabilization Fund *			<u>2,075,696</u>
Special Education - IDEA Part B 611	84.027A	28-23-B1-(WZ, WY)	326,305
Special Education - Preschool Grants (IDEA Preschool)	84.173A	28-23-P1- (WZ,WY)	19,142
COVID-19 - American Rescue Plan (IDEA 619 ARP)	84.173X	28-22-IA19(WZ, WY)	4,641
Special Education - High Cost Services	84.027	28-23-RK-(WZ, WY)	44,376
COVID-19 - American Rescue Plan (IDEA 611 ARP)	84.027X	28-22-IA11-(WZ, WY)	<u>55,400</u>
Total Special Education Cluster (IDEA)			449,864
Total United States Department of Education			<u>3,234,127</u>
<u>United States Department of Health and Human Services</u>			
Passed through the Louisiana Department of Education			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			
Safer, Smarter Schools	93.323	28-22-LDHS-WZ, 28-22-LDHS-WY	<u>58,000</u>
Total Expenditures of Federal Awards			<u>\$ 3,617,219</u>

* Denotes Major Program

See notes to schedule of expenditures of federal awards

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. 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).

Note 2. Indirect Cost Rate

The Organization did not include any expenditures related to indirect cost rate calculations nor any 10% de minimis cost rate calculations in its schedule of expenditures of federal awards as there were no indirect cost rates utilized as part of the federal grant activity.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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?	Yes
c) Noncompliance noted?	Yes
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	
84.425 - COVID-19 - Education Stabilization Fund	
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

2023-01 - Misappropriation of Public Funds

Condition:

In accordance with Louisiana Revised Statutes 24:523 and 42:1102 (2) (a) and (3), management of the Organization self-reported to us and to the Louisiana Legislative Auditor an incident involving the misappropriation of funds within the Organization. This misappropriation occurred as a result of a cyber incident in which unauthorized individuals gained access to the financial systems and requested payments posing as management of the Organization, leading to the transfer of funds to an unauthorized account. The Organization has also filed multiple reports with the police department, the district attorney, and the Secret Service related to this misappropriation.

Criteria:

The established Louisiana Revised Statutes require that significant misappropriation of public funds be reported to the auditor and to the Louisiana Legislative Auditor.

Cause:

The misappropriation of funds occurred due to a breach in the Organization's cybersecurity and information technology environment, including e-mail systems.

Effect:

Two separate payments of approximately \$22,337 and \$116,241, totaling \$138,578 were made to a fraudulent account. The Organization was unable to recover funds from its financial institution. The Organization has recovered \$100,000 from its cyber insurance carrier. Additional costs have been incurred for legal review, consultations, and investigations.

Recommendation:

In response to this finding, we recommend that the Organization undertake the following measures:

Strengthen cybersecurity measures: Enhance the Organization's cybersecurity and information systems environment to prevent future unauthorized access and mitigate the risk of cyber threats.

Review internal controls: Conduct a comprehensive review of internal controls related to financial transactions, with a focus on segregation of duties, vendor management, and authorization rights and protocols.

Employee training and awareness: Implement training programs to enhance staff awareness of cybersecurity risks, including phishing attempts and social engineering tactics.

Incident response plan: Develop and regularly update an incident response plan to ensure a swift and effective response to future cybersecurity incidents.

Management's Response: See attached

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

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

None.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

AUDUBON SCHOOLS

Louisiana Legislative Auditor
1600 N 3rd St.
Baton Rouge, LA 70802

Re: 2023-01 - Misappropriation of Public Funds

Dear Sir or Madam,

Upon identifying the suspicious activity, Audubon immediately took steps to secure the environment and commenced an investigation with external counsel provided by its cyber liability insurance carrier. Through the investigation, Audubon determined that an unauthorized external party accessed certain employees' email accounts. The external actor impersonated 2 Audubon employees (one via a spoofed email account and the other through unauthorized access) and directed a subordinate employee to execute a wire transfer.

To help prevent a similar incident from occurring in the future, Audubon has implemented additional measures to enhance the security of its email environment and continues to provide cybersecurity training to its staff. Additionally, internal controls related to vendor management and segregation of duties have been reviewed and strengthened.

Sincerely,

Steve Corbett

Steve Corbett (Dec 28, 2023 11:31 CST)

Dr. Steven Corbett, CEO

**FRENCH AND MONTESSORI
EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA**

Agreed-Upon Procedures
R.S. 24:514 - Performance and Statistical Data

June 30, 2023

Contents	Schedule	Page
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Schedules Required by Louisiana State Law (R.S. 24:514 - Performance and Statistical Data)		4
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	5
Class Size Characteristics	2	6

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of the French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization) for the fiscal year ended June 30, 2023; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of the Organization is responsible for its performance and statistical data.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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.

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.

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: For two (2) classes selected, the roll book count did not agree to the class size on the schedule.

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: For six (6) individuals selected, the years of experience reported on the PEP data did not agree to the information provided in the individuals' personnel files. For four (4) individuals selected, the education level reported on the PEP data did not agree to the information provided in the individual's personnel files.

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: For six (6) individuals selected, the total pay reported did not agree to the individuals' personnel files and payroll records.

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 Organization, 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.

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

A Professional Accounting Corporation

Covington, LA
December 11, 2023

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2023**

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.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2023**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 3,623,499
Other Instructional Staff Salaries	915,167
Instructional Staff Employee Benefits	1,246,411
Purchased Professional and Technical Services	931,037
Instructional Materials and Supplies	559,250
Instructional Equipment	<u>200,422</u>

Total Teacher and Student Interaction Activities \$ 7,475,786

Other Instructional Activities 99,425

Pupil Support Services	301,406
Less: Equipment for Pupil Support Services	<u>-</u>

Net Pupil Support Services 301,406

Instructional Staff Services	46,632
Less: Equipment for Instructional Staff Services	<u>-</u>

Net Instructional Staff Services 46,632

School Administration	2,706,479
Less: Equipment for School Administration	<u>-</u>

Net School Administration 2,706,479

Total General Fund Instructional Expenditures \$ 10,629,728

Total General Fund Equipment Expenditures \$ 200,422

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	<u>-</u>

Total Local Taxation Revenue \$ -

Local Earnings on Investment in Real Property

Earnings from 16 th Section Property	\$ -
Earnings from Other Real Property	<u>-</u>

Total Local Earnings on Investment in Real Property \$ -

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	<u>-</u>

Total State Revenue in Lieu of Taxes \$ -

Nonpublic Textbook Revenue	<u>\$ -</u>
Nonpublic Transportation Revenue	<u>\$ -</u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2022**

Schedule 2

School Type	LEA	Class Size Range							
		1 - 20		21 - 26		27 - 33		34+	
		Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	WAZ	58%	218	33%	125	8%	31	1%	1
Elementary Activity Classes	WAZ	36%	16	43%	19	19%	8	2%	1
Elementary	WBT	33%	45	44%	59	23%	31	0%	0
Elementary Activity Classes	WBT	100%	1	0%	0	0%	0	0%	0

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

AGREED-UPON PROCEDURES REPORT

French and Montessori Education, Inc.
d/b/a Audubon Schools

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2022 - June 30, 2023

To French and Montessori Education, Inc.
d/b/a Audubon Schools (the Organization) and
Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2022 through June 30, 2023. The Organization's management is responsible for those C/C areas identified in the SAUPs.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: The Organization's policies and procedures did not address how vendors are added to the system for purchasing. The Organization's policies did not address the ethics components in the procedure. The Organization's disaster recovery/business continuity plan does not address period testing/verification that backups can be restored. All other applicable functions were addressed in the Organization's policies and procedures. The Organization has determined that the Debt Service (x) and Sexual Harassment (xii) functions were not applicable.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: During the fiscal year, the Organization's board met ten (10) times during the year. The board minutes included financial updates which included budget to actual comparison. The board minutes did not include discussions of prior year audit and agreed-upon procedure findings.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: For the accounts selected, all bank reconciliations were not performed timely. For one (1) sample, there was an error with the reconciliation; therefore, no reconciliation was performed. Bank statements did not include evidence that a member of management or a board member with no involvement in the transactions associated with the bank account had reviewed each reconciliation.

4) Collections (excluding electronic fund transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/ checks/ money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions noted.

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

Results: No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

Results: No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: As the Organization is a charter school group, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. The Organization receives all such public funds via ACH transfer. The Organization has determined that no public funds were received as cash, checks, nor money orders during the fiscal year. As such, there were no public cash collections transactions to report for testing. The Organization has determined that these procedures are not applicable.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash balances)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions noted.

- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files;

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automate clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: No exceptions noted.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

Results: No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements

Results: No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

Results: The Organization has reported that it did not use credit cards, bank debit cards, fuel cards, nor purchase cards during the fiscal period. The Organization has determined that this procedure is not applicable.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

Results: The Organization has reported that it did not use credit cards, bank debit cards, fuel cards, nor purchase cards during the fiscal period. The Organization has determined that these procedures are not applicable.

- C. Using the monthly statements or combined statements selected under #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: The Organization has reported that it did not use credit cards, bank debit cards, fuel cards, nor purchase cards during the fiscal period. The Organization has determined that this procedure is not applicable.

7) Travel and Travel-Related Expense Reimbursement (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

- iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: Only individual reimbursements are being testing. Per inspection of the population and per inquiry with management, no individual travel reimbursements noted.

8) Contracts

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

Results: No formal listing of contracts is prepared. We used the disbursement journal for the fiscal year as alternative procedures. We obtained management's representation that the listing is complete. We noted a formal/written contract existed for all but one sampled contract. No bidding required for samples selected. No required approval by governing board/body for samples selected. No amended contracts for samples selected. We agreed the disbursement to supporting invoices for samples selected.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We obtained management's representation that the listing is complete.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions noted.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: We obtained management's representation that the listing is complete. Termination payment for employees selected was made in accordance with the employee's contract and was approved by management.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: The appropriate employee and employer portions of payroll taxes and retirement contributions were submitted to the applicable agencies by the required deadlines for all payroll tax and retirement contribution supporting documentation sampled.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: Of the five (5) sampled employees selected, three (3) employees did not complete ethics training during the year. The Organization has reported that its ethics policy did not change during the fiscal period.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R. S. 42:1170.

Results: The Organization has determined that this section is not applicable.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: The Organization has determined that this section is not applicable.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: The Organization has determined that this section is not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: We noted one instance of misappropriation of public funds or assets, per inquiry with management and the board president, which was reported to the Legislative Auditor.

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

Results: We noted the LLA hotline notice per LRS 24:523.1 posted on the Organization's website and on its premises.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report **"We performed the procedure and discussed the results with management"**.
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed the procedures and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: The Organization has determined that this section is not applicable.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: The Organization has determined that this section is not applicable.

- C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: The Organization has determined that this section is not applicable.

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We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement 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 and did not conduct an examination or review engagement, 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



A Professional Accounting Corporation

Covington, LA
December 11, 2023