

**BREAKFREE EDUCATION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

***Sean M. Bruno***  
***Certified Public Accountants, LLC***  

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*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**Breakfree Education**  
New Orleans, Louisiana

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the accompanying financial statements of **Breakfree Education (BREAKFREE EDUCATION)**, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Breakfree Education** as of June 30, 2023, and the results of its operations 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. 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 **Breakfree Education** and to meet our other ethical responsibilities in accordance with the 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 audit opinions.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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 **Breakfree Education'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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

*Auditor's Responsibilities for the Audit of the Financial Statements, Continued*

- 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 **Breakfree Education'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Breakfree Education'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.

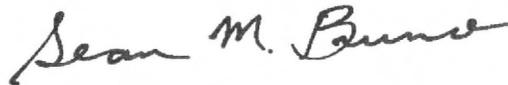
***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2024 on our consideration of **Breakfree Education's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Breakfree Education's** internal control over financial reporting and compliance.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

February 9, 2024

**BREAKFREE EDUCATION**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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ASSETS

Cash and cash equivalents (NOTES 2, 6, and 12)	\$ 2,523,975
Investments (NOTE 8 and 12)	13,811
Contract receivables (NOTE 2 and 12)	1,105,588
Other receivables (NOTES 2 and 12)	24,443
Grants receivables (NOTE 2 and 12)	50,000
Prepaid expenses and other assets	76,668
Property and equipment, net of accumulated depreciation of \$4,330 (NOTES 2 and 10)	<u>-</u>
 Total assets	 <u>\$ 3,794,485</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 36,581
Accrued expenses	32,422
Deferred contract income (NOTE 9)	<u>1,864,693</u>
 Total liabilities	 <u>1,933,696</u>
Net Assets (NOTE 2):	
Without Donor Restrictions	1,500,595
With Donor Restrictions	<u>360,194</u>
 Total net assets	 <u>1,860,789</u>
 Total liabilities and net assets	 <u>\$ 3,794,485</u>

The accompanying notes are an integral part of these financial statements

**BREAKFREE EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Contract income (NOTE 9)	\$ 1,799,651	\$ -	\$ 1,799,651
Grants and contracts (NOTE 9)	939,043	100,800	1,039,843
Contributions (NOTE 9)	552,367	333,350	885,717
Consortium membership fees	210,000	-	210,000
Program service fees	47,296	-	47,296
Investment income, net	10,950	-	10,950
Other income	1,359	-	1,359
Net assets released from restriction for satisfaction of restriction	268,634	(268,634)	-
<b>Total revenue and support</b>	<b>3,829,300</b>	<b>165,516</b>	<b>3,994,816</b>
<b>Expenses:</b>			
Program services			
Travis Hill School	2,630,202	-	2,630,202
IRAA Fellowship	152,914	-	152,914
General Programs	183,524	-	183,524
Other Programs	333,901	-	333,901
<b>Total program services</b>	<b>3,300,541</b>	-	<b>3,300,541</b>
Support services			
Management and general	174,872	-	174,872
Fundraising	14,455	-	14,455
<b>Total support services</b>	<b>189,327</b>	-	<b>189,327</b>
<b>Total expenses</b>	<b>3,489,868</b>	-	<b>3,489,868</b>
<b>Changes in net assets</b>	<b>339,432</b>	<b>165,516</b>	<b>504,948</b>
<b>Net Assets:</b>			
Beginning of the year	1,161,163	194,678	1,355,841
End of year	\$ 1,500,595	\$ 360,194	\$ 1,860,789

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

**BREAKFREE EDUCATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023**

	-----Program Services-----				Total Program Services	-----Support Services-----			Total Expenses
	Travis Hill Schools	IRAA Fellowship	General Programs	Other Programs		Management and General	Fundraising	Total Support Services	
Salaries and related benefits	\$ 2,267,321	\$ 37,142	\$ 142,688	\$ 214,656	\$ 2,661,807	\$ 37,264	\$ 11,658	\$ 48,922	\$ 2,710,729
Professional fees	-	-	-	-	-	124,645	-	124,645	124,645
Consultants	1,881	29,964	1,625	10,825	44,295	-	-	-	44,295
Insurance	84,783	827	3,129	4,532	93,271	12,053	255	12,308	105,579
Office expense	47,673	3,038	1,184	4,874	56,769	215	-	215	56,984
Contract instruction	20,775	-	-	-	20,775	-	-	-	20,775
Direct program expenses	47,593	-	16,384	74,018	137,995	-	-	-	137,995
Direct student costs	68,392	-	286	-	68,678	-	-	-	68,678
Facilities and equipment	30,992	-	58	106	31,156	-	-	-	31,156
Program expenses	-	25,209	-	-	25,209	-	-	-	25,209
Bank fees	-	-	-	-	-	229	-	229	229
Technology	33,891	1,797	674	4,255	40,617	243	2,455	2,698	43,315
Travel and meals	25,542	2,854	17,496	20,635	66,527	93	51	144	66,671
Subrecipients	-	52,083	-	-	52,083	-	-	-	52,083
Other expenses	1,359	-	-	-	1,359	130	36	166	1,525
<b>Total expenses</b>	<b>\$ 2,630,202</b>	<b>\$ 152,914</b>	<b>\$ 183,524</b>	<b>\$ 333,901</b>	<b>\$ 3,300,541</b>	<b>\$ 174,872</b>	<b>\$ 14,455</b>	<b>\$ 189,327</b>	<b>\$ 3,489,868</b>

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

**BREAKFREE EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**Cash Flows From Operating Activities**

Change in net assets	\$ 504,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in contract receivables	(173,795)
Decrease in other receivables	26,947
Increase in grants receivables	(50,000)
Increase in prepaid expenses	(11,760)
Decrease in accounts payable	(1,181)
Decrease in accrued expenses	(4,337)
Increase in deferred revenue	604,643
Decrease in other liabilities	<u>(19,670)</u>
Net cash provided by operating activities	<u>875,795</u>

**Cash Flows From Investing Activities**

Increase in market value of securities	<u>(2,059)</u>
Net cash used in investing activities	<u>(2,059)</u>

Net increase in cash and cash equivalents	873,736
Cash and cash equivalents - July 1, 2022	<u>1,650,239</u>
Cash and cash equivalents - June 30, 2023	<u><u>\$ 2,523,975</u></u>

The accompanying notes are an integral part of these financial statements

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION:

The **Breakfree Education (Breakfree)** is a nonprofit organization, whose purpose is to operate and assist schools in juvenile settings to implement transformational, student-focused practices, designed to significantly improve the life chances of the students they serve. **Breakfree's** mission is to serve as a catalyst for change in the way institutions and communities support young people in or returning from incarceration. **Breakfree** funds its program and supporting services primarily through contract services, grants, and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The financial statements and the supplemental schedule are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis.

Basis of Presentation

For the year ended June 30, 2023, **Breakfree** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in the presentation of its financial statements. The purpose of the FASB ASC 2016-04 is to improve the financial reporting of those entities. Among other provisions, this ASC reduces the number of classes of net assets from three to two, requiring the presentation of expenses in both natural and functional classifications, and requiring additional disclosures concerning liquidity and the availability of financial resources. **Breakfree** adopted this standard for the year ended June 30, 2023 and its implementation is reflected in the financial statements.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of **Breakfree**. These net assets may be used at the discretion of **Breakfree's** management and the board of directors. The revenues received in conducting the mission of **Breakfree** are included in this category.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Presentation, Continued

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of **Breakfree** or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

At June 30, 2023, **Breakfree's** net assets with donor restrictions totaled \$360,195.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, **Breakfree** considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and Equipment

**Breakfree** capitalizes items with a unit cost of greater than \$2,500 and a useful life greater than 1 year. Property, plant, and equipment is recorded at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are 3 or 5 years. Expenditures for minor and routine repairs and maintenance are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and reported in detail on the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Contracts Receivables

Contracts receivables represent amounts due from **Breakfree Education's** various revenue sources. The balance of contracts receivables at June 30, 2023 is expected by management to be fully collectible. If an amount is deemed to be uncollectible, it is expensed when the determination is made.

Grants and Other receivables

Grants and other receivables represent amounts due from the organization's contributors. There was no allowance recorded at June 30, 2023 as the entire balance has been deemed by management to be fully collectible within one year. If an amount is deemed to be uncollectible, it is expensed when that determination is made.

Support and Revenues

Revenues received under federal grant programs are recognized when earned. Contributions are received and recorded as net assets without donor restrictions unless specifically restricted by the donor or the board of directors.

Fair Value

**Breakfree** has adopted certain provisions of FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures." ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires **Breakfree** to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Use of Estimates

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

NOTE 3 - CONCENTRATIONS:

The primary source of revenue for **Breakfree** is federal and state grants. The continued success of **Breakfree** is dependent upon the renewal of contracts from current funding sources.

NOTE 4 - CREDIT RISKS AND UNCERTAINTIES:

**Breakfree** has deposit cash balances in one financial institution. Interest-bearing and non-interest-bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each account ownership category. At June 30, 2023, **Breakfree's** uninsured cash balances totaled \$2,302,417.

NOTE 5 - INCOME TAXES:

**Breakfree** is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements. Should **Breakfree's** tax status be challenged in the future, the 2020, 2021 and 2022 tax years are open for examination by the IRS.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Participation in Grant Programs

**Breakfree** is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements. The administration of the program and activities funded by the grants are under the control and administration of **Breakfree** and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions were restricted for the following at June 30, 2023:

Ballmer	\$ 297,700
IRAA	58,715
Kiva Fund	<u>3,780</u>
Total net assets with donor restrictions	\$ <u>360,195</u>

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 8 - FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES:

In accordance with FASB ASC Topic 820, fair value is defined as the price that **Breakfree** would receive to sell an asset or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of **Breakfree's** assets or liabilities. The inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Pricing inputs are other than quoted prices included within Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date, and fair value is determine through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 8 - FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES, CONTINUED

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. **Breakfree's** assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. All investments are considered Level 1 investments.

The carrying value and the estimated fair values of **Breakfree's** financial instruments at June 30, 2023 are as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Investments	\$ 13,811	\$ 13,811

NOTE 9 - REVENUE RECOGNITION:

Contract income

Contract income is recognized as costs are incurred based on direct costs plus allowable indirect costs. Direct and indirect costs incurred, but not reimbursed under these contracts are included in accounts receivable on the accompanying statement of financial position. Funds received in advance but not recognized are recorded in deferred revenue and recognized as revenues when earned. At June 30, 2023, deferred contract income totaled \$1,864,693 and is included in deferred revenue on the statement of financial position.

**BREAKFREE EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 9 - REVENUE RECOGNITION, Continued:

Grants and Contributions

Grants and contributions without donor imposed conditions are recognized upon receipt or notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Grants and contributions with donor imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met in compliance with the donor-imposed restrictions and for the expiration of donor imposed time restrictions. These reclassifications are recorded in the accompanying statement of activities as net assets released from restrictions.

**Breakfree** has adopted the simultaneous release option for donor-restricted conditional grants and contributions or portions of contributions that are recognized and used within the same reporting period, accordingly, these amounts are reported as without donor restrictions.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT:

	<u>Balance at</u> <u>7/01/22</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance at</u> <u>6/30/23</u>
Furniture, fixtures and equipment	\$ 7,204	\$ (2,874)	\$ 4,330
Accumulated depreciation	<u>(7,204)</u>	<u>(2,874)</u>	<u>(4,330)</u>
Net property, plant, and equipment	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

There was no depreciation expense for the year ended June 30, 2023.

**BREAKFREE EDUCATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 11 - RETIREMENT PLAN:

**Breakfree** maintains a Roth 401k and a 401k for eligible employees by December 31, 2021. Employees who work 20 hours or more per week are eligible to receive an employer contribution of up to 3% of their eligible compensation. **Breakfree** contributed \$45,129 to the simple IRA plan for the year ended June 30, 2023 which is included in salaries and related expenses on the accompanying statement of functional expenses.

NOTE 12 - LIQUIDITY AND AVAILABILITY

**Breakfree** regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, **Breakfree** considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenses.

In addition to financial assets available to meet general expenditures over the next 12 months, **Breakfree** operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**BREAKFREE EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 12 - LIQUIDITY AND AVAILABILITY, Continued

The following reflects **Breakfree's** financial assets as of June 30, 2023 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2023. As of June 30, 2023, there were no donor-imposed restrictions.

	<u>2023</u>
Cash and cash equivalents	\$2,523,975
Investments	13,811
Contract receivables	1,105,588
Grants receivable	50,000
Other receivable	24,443
Prepaid expenses	<u>76,668</u>
 Total financial assets at year end	 3,794,485
 Less: Amounts not available to meet general expenses within one year:	
Prepaid expenses	<u>(76,668)</u>
 Financial assets available to meet general expenses within one year	 <u>\$3,717,817</u>

NOTE 13 - SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 9, 2024 and determined that there were no subsequent events that require recognition of, or disclosure in, the financial statements.

**SUPPLEMENTARY INFORMATION**

**BREAKFREE EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>PASS THROUGH TO SUBRECIPIENTS</u>	<u>ACTIVITY</u>
<b>U.S. Department of Education</b>				
<u>Awards through the New Orleans Parish School Board</u>				
Title I - Grants to Local Educational Agencies				
Title II – Supporting Effective Instruction State	84.010A	N/A	\$ <u>-0-</u>	\$ 332,405
ESSERF – Education Stabilization Grant	84.425D	N/A	<u>-0-</u>	<u>611,765</u>
Total U.S. Department of Education			<u>-0-</u>	<u>944,170</u>
Total Expenditures of Federal Awards			\$ <u>-0-</u>	\$ <u>944,170</u>

See the Independent Auditor's Report on Supplementary Information

**BREAKFREE EDUCATION**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

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NOTE 1 – Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **Breakfree** and is presented on the accrual basis of accounting. The information in this schedule is presented as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NOTE 2 - MAJOR FEDERAL PROGRAMS:

**Breakfree's** major federal financial assistance programs for the year ended June 30, 2023 was determined based on guidelines established by the Uniform Guidance. The major program for the year ended June 30, 2023 is ESSERF – Education Stabilization Grant.

NOTE 3 - SUB-RECIPIENTS:

**Breakfree** did not disburse any federal funds to sub-recipients during the year ended June 30, 2023.

NOTE 4 - INDIRECT COST RATE:

**Breakfree** has not elected to use the ten percent (10%) de minimis indirect cost rate.

**BREAKFREE EDUCATION**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER (STATEMENT C)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**David Domenici**, Executive Director

<u><b>PURPOSE</b></u>	<u><b>AMOUNT</b></u>
Salary	\$ 80,781
Benefits-insurance	6,235
Benefits-retirements	3,231
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-
	\$ 90,247
	\$ 90,247

*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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

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To the Board of Directors  
**Breakfree Education**  
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Breakfree Education** (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Breakfree Education's** internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Breakfree Education's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Breakfree Education's** internal control.

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

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**Report on Internal Control Over Financial Reporting, Continued**

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 *significant deficiency* is a deficiency, or a combination of deficiencies in internal control over financial reporting, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 **Breakfree Education's** financial statements will not be prevented, or detected and corrected in a timely basis.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Breakfree Education's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-01.

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

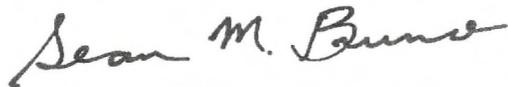
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**Breakfree's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on ABC Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. **Breakfree Education's** response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of **Breakfree Education's** internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Breakfree Education's** internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

February 9, 2024

*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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To the Board of Directors  
**Breakfree Education**  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited **Central City Economic Opportunity Corporation's** compliance with the types of compliance requirements identified as subject to the audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Breakfree Education's** major federal program for the year ended June 30, 2023. **Breakfree Education's** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Breakfree Education** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2023.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

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*Basis for Opinion on Each Major Federal Program, Continued*

We are required to be independent of **Breakfree Education** 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 each major federal program. Our audit does not provide legal determination of **Breakfree Education's** compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Breakfree Education'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 **Breakfree Education'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting 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 judgement made by a reasonable user of the report on compliance about **Breakfree Education's** compliance with the requirements of its major federal program as a whole.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

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*Auditor's Responsibilities for the Audit of Compliance, Continued*

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 **Breakfree Education'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 **Breakfree Education'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 **Breakfree Education'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*

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

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*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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected in 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

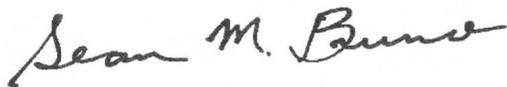
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on **Breakfree Education's** response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. **Breakfree Education's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

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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.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

February 9, 2024

**SCHEDULE I**

**SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

**BREAKFREE EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**SCHEDULE I - Summary of the Independent Auditor's Results**

*Financial Statements*

1. Type of report issued on the financial statements. **Unmodified opinion**
2. Did the audit disclose any significant deficiencies in internal control? **No**
3. Did the audit disclose any material weaknesses in internal control? **No**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? **Yes**

*Federal Awards*

5. Did the audit disclose any significant deficiencies in internal control over major programs? **No**
6. Did the audit disclose any material weaknesses in internal control over major programs? **No**
7. Type of report issued on compliance for major federal programs. **Unmodified**
8. Did the audit disclose any audit findings which the independent auditors are required to report in accordance with Uniform Guidance 200.518(b)(1)? **No**
9. The following is an identification of the major program:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
84.425D	ESSERF – Education Stabilization Grant

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in 2 CFR 200.516(a) was **\$750,000**.
11. Did the auditee qualify as a low risk auditee under Uniform Guidance 200.520? **No**

**SCHEDULE II**  
**FINANCIAL STATEMENTS FINDING**

**BREAKFREE EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**SCHEDULE II – Financial Statements Finding**

**Audit Finding Reference Number**

2023-001 – Untimely Submission of Audit Report

**Criteria**

Pursuant to the requirement of Louisiana Statute R.S. 24:513, annual financial reports shall be completed within six (6) months of the close of an entity’s fiscal year.

**Conditions and Perspective**

The June 30, 2023 audit report was not submitted within the prescribed time frame.

**Cause**

There was a transition in audit firms for the current year’s audit engagement, which delayed the start of the audit.

**Effect**

**Breakfree Education** has not complied with reporting requirements of the State of Louisiana.

**Recommendation**

Take the necessary steps to ensure that future engagements are issued timely.

**Management’s Response**

The report will be submitted timely in future years.

**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**BREAKFREE EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**SCHEDULE III – Federal Award Finding and Questioned Costs**

None Noted.

# **BREAKFREE EDUCATION**

Statewide Agreed-Upon Procedures (R.S. 24:513)  
Report

FOR THE YEAR ENDED  
JUNE 30, 2023

***Sean M. Bruno***  
***Certified Public Accountants, LLC***

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*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of **Breakfree Education**  
**and the Louisiana Legislative Auditor**  
New Orleans, Louisiana

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

**Breakfree Education** 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, 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:

***Written Policies and Procedures***

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1. Obtain and inspect **Breakfree Education's** written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and **Breakfree Education's** operations.
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.  
**Results: No exceptions were noted.**
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
**Results: No exceptions were noted.**
  - c) ***Disbursements***, including processing, reviewing, and approving.  
**Results: No exceptions were noted.**

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Written Policies and Procedures, Continued*

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- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

**Results: No exceptions were noted.**

- e) *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 rates of pay or approval and maintenance of pay rate schedules.

**Results: No exceptions were noted.**

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

**Results: No exceptions were noted.**

- g) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

**Results: No exceptions were noted**

- h) *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, and (5) monitoring card usage.

**Results: No exceptions were noted.**

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

**Results: Not applicable as Breakfree Education is a nonprofit organization.**

- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results: Not applicable as Breakfree Education is a nonprofit organization.**

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

- k) *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.

**Results: No exceptions were noted.**

- l) *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: Not applicable as Breakfree Education is a nonprofit organization.**

***Board (or Finance Committee, if applicable)***

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that 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.

**Results: No exceptions were noted.**

- b) 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.

**Results: No exceptions were noted.**

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

**Results: Not applicable as Breakfree Education is a nonprofit organization.**

- d) 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: Not applicable as there were no prior year audit findings.**

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

***Bank Reconciliations***

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3. 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:

**Results: We obtained a listing of Breakfree Education's bank accounts from management for the fiscal year. We also obtained management's representation that the listing was complete.**

- a) 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);

**Results: No exceptions were noted.**

- b) Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed bank reconciliation (e.g., initialed and dated, electronically logged); and

**Results: We were unable to observe written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed bank reconciliations.**

- c) 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: No exceptions were noted.**

***Collections (excluding electronic funds transfers)***

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

**Results: This procedure is not applicable. Public funding is received by electronic transfers.**

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Collections, (excluding electronic funds transfers) Continued*

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their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

**Results: This procedure is not applicable. Public funding is received by electronic transfers. No cash collections.**

6. 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 enforced during the fiscal period.

**Results: This procedure is not applicable. Public funding is received by electronic transfers.**

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe 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).

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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

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- e) Trace the actual deposit per the bank statement to the general ledger.

**Results: This procedure is not applicable. Public funding is received by electronic transfers.**

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

**Results: We obtained a listing of all locations that process payments for the fiscal period and a representation from management that the listing was complete.**

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
  - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

**Results: No exceptions were noted.**

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe 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

INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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

**No exceptions were noted.**

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

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11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, 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.

**No exceptions were noted.**

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

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12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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: We obtained a listing of all active credit/debit cards including the card numbers and names of persons who maintained possession of the cards and a representation from management that the listing was complete.**

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe 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.
  - b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results: No exceptions were noted. In addition, there were no finance charges or late fees assessed per review of the credit card statements.**

INDEPENDENT ACCOUNTANT'S REPORT  
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PROCEDURES AND FINDINGS, CONTINUED

*Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards), Continued*

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14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**Results: Of the 20 transactions selected, there was 1 missing receipt for a meal purchase. Management has a compensating control in place.**

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

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15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe 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](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) 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 policy (procedure #1g).
  - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results: Of the 5 reimbursements selected, the original itemized receipt total for 1 reimbursement was \$29.69 less than the reimbursement amount.**

INDEPENDENT ACCOUNTANT'S REPORT  
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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Contracts*

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16. 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:

**Results: We obtained a listing of all contracts that were initiated or renewed during the fiscal period, and a representation from management that the listing was complete.**

- a) 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.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe 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, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

**Results: No exceptions were noted.**

*Payroll and Personnel*

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17. 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: No exceptions were noted.**

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:

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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Payroll and Personnel, Continued*

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- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

**Results: No exceptions were noted.**

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

**Results: We were unable to observe an approved attendance and leave report for 1 of the 5 employees selected.**

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

**Results: We were unable to observe cumulative leave records for 4 of the 5 employees selected.**

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

**Results: No exceptions were noted.**

19. 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: No exceptions were noted.**

20. 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: No exceptions were noted.**

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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Ethics*

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21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. 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: Breakfree Education is a nonprofit organization and as such is not subject to the ethics training requirement.**

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

**Results: Breakfree Education is a nonprofit organization and as such is not subject to this ethics requirement.**

*Debt Service*

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23. 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.
24. 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: Breakfree Education is a nonprofit organization and as such is not subject to the Debt Service requirement.**

INDEPENDENT ACCOUNTANT'S REPORT  
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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Fraud Notice*

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25. 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: Management confirmed there were no misappropriations of public funds or assets, and we obtained representation from management that there were no misappropriations of public funds.**

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

**Results: We observed that Breakfree Education posted the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.**

*Information Technology Disaster Recovery/Business Continuity*

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27. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) 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 evidence 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.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) 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 procedure and discussed the results with management.**

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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Information Technology Disaster Recovery/Business Continuity, Continued*

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28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

**Results: We performed the procedure and discussed the results with management.**

*Prevention of Sexual Harassment*

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29. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, 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.

30. 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).

31. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements.
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred.
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

**Results: Breakfree Education is a nonprofit organization and as such is not subject to the Prevention of Sexual Harassment requirement.**

INDEPENDENT ACCOUNTANT'S REPORT  
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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

We were engaged by **Breakfree Education** 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 **Breakfree Education** 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.



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February 9, 2024