EDUCATORS FOR QUALITY ALTERNATIVES, INC.

FINANCIAL STATEMENTS

June 30, 2018

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Hienz & Macaluso LLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Educators for Quality Alternatives, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Educators for Quality Alternatives, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educators for Quality Alternatives, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to the agency head on page 11, as required by State law, 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 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 17, 2018 on our consideration of Educators for Quality Alternatives, Inc.ôs internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Educators for Quality Alternatives, Inc.ôs internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018

FINANCIAL STATEMENTS

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

Assets		
Current Assets:		
Cash and cash equivalents	$	789,804
Grants receivable		441,869
Prepaid expenses		125,299
Total Current Assets		1,356,972
Property and Equipment:		
Building improvements		298,837
Furniture and fixtures		19,065
Equipment		17,559
Less accumulated depreciation		(92,379)
Total Fixed Assets, Net		243,082
Other Asset:		
Deposits		8,750
Total Assets		1,608,804
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities		251,756
Total Liabilities		251,756
Net Assets:		
Unrestricted		1,357,048
Temporarily restricted		-
Total Net Assets		1,357,048
Total Liabilities and Net Assets	$	1,608,804

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

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, Grants and Other Support:			
State and local public school funding	$ 3,603,924	$ -	$ 3,603,924
Federal grants	407,074	-	407,074
Donations and grants	453,892	66,928	520,820
Other income	15,287	-	15,287
Net assets released from restrictions	111,428	(111,428)	-
Total Revenue, Grants and Other Support	4,591,605	(44,500)	4,547,105
Expenses:			
Program Services			
Regular programs	1,232,285	-	1,232,285
School administration	896,369	-	896,369
Pupil support services	257,542	-	257,542
Other instructional services	171,290	-	171,290
Special education programs	397,695	-	397,695
Other instructional programs	56,145	-	56,145
Technical programs	274,504	-	274,504
Transportation services	107,406	-	107,406
Food services	173,280	-	173,280
Management and General			
Operation and maintenance of plant	579,167	-	579,167
Central services	184,594	-	184,594
Business services	77,874	-	77,874
Total Expenses	4,408,151	-	4,408,151
Change in Net Assets	183,454	(44,500)	138,954
Net Assets, Beginning of Period	1,173,594	44,500	1,218,094
Net Assets, End of Period	$ 1,357,048	$ -	$ 1,357,048

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

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Change in Net Assets	$ 138,954
Adjustments to Reconcile Change in Net Assets to	
Net Cash (Used) by Operating Activities	
Depreciation	62,773
(Increase) Decrease in:	
Grants receivable	(441,869)
Other receivable	28,887
Prepaid expenses	(100,050)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	93,887
Net Cash (Used) by Operating Activities	(217,418)
Cash Flows from Investing Activities:	
Purchases of property and equipment	(281,606)
Net Cash (Used) by Operating Activities	(281,606)
Net Decrease in Cash and Cash Equivalents	(499,024)
Cash and Cash Equivalents, Beginning of Period	1,288,828
Cash and Cash Equivalents, End of Period	$ 789,804

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

NOTE 1 ï Summary of Significant Accounting Policies:

Educators for Quality Alternatives, Inc. (the ñSchoolò) was created as a non-profit corporation under the laws of the State of Louisiana on July 14, 2009. The School applied to the Louisiana Board of Elementary and Secondary Education (ñBESEò) to operate a Type 5 charter school. The charter school contract, effective July 1, 2012, is entered into between the School and its Board of Directors and BESE for the purpose of operating The NET Charter High School. The school serves students aged from 16 ï 21 years of age. On July 1, 2017, BESE granted the School an additional charter to operate another Type 5 charter school. The Net Gentilly commenced operations during the fiscal year ending June 30, 2018. Effective July 1, 2018, the Schoolôs charters were changed from Type 5 under BESE to Type 3b under the Orleans Parish School Board (ñOPSBò).

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 School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> Unrestricted Net Assets ï limited only by the broad limits resulting from the nature of the School, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors, and others entered into by the School in the course of its business.
>
> Temporarily Restricted Net Assets ï assets whose restrictions lapse with the passage of time and/or purpose. At June 30, 2018, the School does not have any temporarily net assets.
>
> Permanently Restricted Net Assets ï assets whose restrictions do not lapse with the passage of time. At June 30, 2018, the School does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of

NOTE 1 ï Summary of Significant Accounting Policies (Continued):

Use of Estimates (continued)

contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

The Schoolôs primary sources of funding are state and local public school funding, federal grants and private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Donated Services

For the year ended June 30, 2018, the School had a total of 74 volunteers who served approximately 5,746 hours. Volunteer services included tutoring and classroom assisting, building beautification, office help and internship mentors. The value of these services is not recognized in the accompanying financial statements due to the unspecialized nature of these services.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value if donor-contributed. The School capitalizes all property and equipment purchases over $1,000. 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 School. Depreciation is calculated using the straight line method with estimated useful lives of 3 to 5 years.

Income Taxes

The School is operating under Section 501(c) (3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

NOTE 2 ï Cash and Cash Equivalents:

At June 30, 2018, cash consists of demand deposits in local banks of $789,804.

NOTE 3 ï Grant Receivables:

Grant receivables are stated at the amount the School expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts as the School believes all receivables are collectible.

NOTE 4 – Concentrations:

For the year ended June 30, 2018, the School received approximately 87% of its total revenues from Federal and State of Louisiana grantors. The School maintains cash balances at local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, the Schoolôs amounts may exceed the federally insured limits.

NOTE 5 – Contingencies:

Amounts received or receivable from federal, state or local agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by such agencies cannot be determined at this time, although the School expects any such amounts to be immaterial.

NOTE 6 ï Retirement Plan:

Effective December 1, 2012, the School provides a 403(b) plan for all regular full-time employees. An employee becomes eligible to participate in the plan on the first day of the month following the date of hire. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The plan allows for discretionary non-elective employer contributions, and all employees are immediately vested. For the year ended June 30, 2018, the School recorded retirement contributions in the amount of $116,187.

NOTE 7 ï Expense Allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 8 ï Leases:

The School leases its buildings under the terms of three operating leases expiring on May 31, 2020 and August 31, 2021 respectively.

For the year ended June 30, 2018, leasing expense equaled $346,750.

NOTE 8 ï Leases (Continued):

The future estimated minimum lease payments under the above leases are as follows:

Fiscal Year End	Lease Commitment
June 30, 2019	$382,818
June 30, 2020	366,448
June 30, 2021	139,040
June 30, 2022	23,300
	$911,606

For year ended June 30, 2018, the School subleased space in one of their buildings and earned $12,711 in rental income. For fiscal year ending June 30, 2019, the School estimates that it will earn $23,394 in rental income.

NOTE 9 ï Property and Equipment:

For the year ended June 30, 2018, depreciation expense was $62,773.

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

NOTE 10 ï Uncertain Income Taxes:

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the Financial Accounting Standards Board Accounting Standards Codification (ñFASB ASCò). The implementation of this topic had no impact on the statement of financial position or the statement of activities.

The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Schoolôs tax filings are subject to review by various taxing authorities. The Schoolôs open review periods are 2015-2017. The Schoolôs information return related to the 6-30-2018 fiscal year will be filed after the conclusion of the 2018 audit. Management has evaluated the Schoolôs tax positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 11 ï Temporarily Restricted Net Assets:

Net assets were released from donor restrictions by satisfying the time or purpose specified by donors as follows:

NOTE 11 ï Temporarily Restricted Net Assets (Continued):

Internship programming	$ 7,500
Next steps programming	15,000
Homebound programming	7,000
Personalized learning lab	15,000
Construction program	28,443
Façade grant	13,485
Launch of The Net 2	25,000
	$111,428

NOTE 12 ï Date of Management's Review:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 17, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name: Elizabeth Ostberg

Purpose	Amount
Salary	$ 85,000
Benefits - Employer Portion of Insurance	4,610
Benefits - Employer Portion of Retirement	5,100
Reimbursements	3,072
Total	$ 97,782

See the accompanying independent auditorôs report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hienz & Macaluso LLC
Certified Public Accountants

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

To the Board of Directors of
Educators for Quality Alternatives, Inc.

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 Educators for Quality Alternatives, Inc. (a nonprofit organization) (the ñSchoolò), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Educators for Quality Alternatives, Inc.ôs internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Educators for Quality Alternatives, Inc.ôs internal control. Accordingly, we do not express an opinion on the effectiveness of the Schoolôs 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 entityôs financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Educators for Quality Alternatives, Inc.ôs financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no findings as of June 30, 2018.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no findings as of June 30, 2017.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

R.S. 24:514 I ï PERFORMANCE AND STATISTICAL DATA AGREED-UPON PROCEDURES

Hienz & Macaluso LLC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Educators for Quality Alternatives, Inc.

We have performed the procedures enumerated below, which were agreed to by the Educators for Quality Alternatives, Inc. (the School); the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties) on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin in compliance with Louisiana Revised Statue 24:514 I. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the following schedules are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:

    - 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

    No exceptions were noted.

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

   No exceptions were noted.

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 managementôs representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individualôs personnel file, and observed that each individualôs education level and experience was property classified on the PEP data or equivalent listing prepared by management.

   No exceptions were noted.

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 managementôs representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individualôs personnel file, and observed that each individualôs salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

   No exceptions were noted.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018

Schedule 1

EDUCATORS FOR QUALITY ALTERNATIVES, INC.
New Orleans, Louisiana

General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018

General Fund Instructional and Equipment Expenditures	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	1,158,533	
Other Instructional Staff Activities	166,396	
Instructional Staff Employee Benefits	295,968	
Purchased Professional and Technical Services	90,309	
Instructional Materials and Supplies	185,876	
Instructional Equipment	10,466	
Total Teacher and Student Interaction Activities		1,907,548
Other Instructional Activities		53,078
Pupil Support Services	257,540	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services		257,540
Instructional Staff Services	171,290	
Less: Equipment for Instructional Staff Services		
Net Instructional Staff Services		171,290
School Administration	896,375	
Less: Equipment for School Administration		
Net School Administration		896,375
Total General Fund Instructional Expenditures (Total of Column B)		3,285,831
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		$10,466

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

EDUCATORS FOR QUALITY ALTERNATIVES, INC. **Schedule 2**

New Orleans, Louisiana

Class Size Characteristics

As of October 1, 2017

	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
School Type	Precent	Number	Precent	Number	Precent	Number	Precent	Number
Elementary								
Elementary Activity Class								
Middle High								
Middle High Activity Class								
High	81.00%	108	4.00%	7	10.00%	8	1.00%	9
High Activity Class	4.00%	9						
Combination								
Combination Activity Class								

See the independent accountantôs report on applying agreed-upon procedures.

STATEWIDE AGREED-UPON PROCEDURES

Hienz & Macaluso LLC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Educators for Quality Alternatives, Inc. and
The Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Educators for Quality Alternatives, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLAôs Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entityôs management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

c) ***Disbursements***, including processing, reviewing, and approving

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d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include managementôs 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).

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entityôs ethics policy.

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

We noted that the Entityôs policies do not address items 2, 4, and 5 under **Purchasing,** items 2, 3 and 5 under **Contracting** and item 1 under **Debt Service**.

Managementôs Response:

The new fiscal policies and procedures will address the items that were not found in previous version of the fiscal policies and procedures with regards to Purchasing, Contracting, and Debt service

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and managementôs representation that the listing is complete. Ask management to identify the entityôs main operating account. Select the entityôs main operating account and randomly select 4 additional accounts7 (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 selected each account, and observe that:

We obtained the listing, managementôs representation and identification of the main operating account.

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

We noted that the bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date.

b) Bank reconciliations include evidence that a member of management/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

We noted that the bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation.

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

This procedure was not applicable as no ñstale-datedò items as described above were noted.

<u>Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)</u>

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

We obtained a listing of locations that process payments for the fiscal period and managementôs representation that the listing is 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:

We obtained a listing of those employees involved with non-payroll purchasing and payment functions and obtained written policies and procedures relating to employee job duties and observed 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.

We observed that 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.

We observed that 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.

This procedure is not applicable as the Entity does not maintain an approved vendor list.

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.

We observed that 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.

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

We obtained the entityôs non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained managementôs representation that the population is complete.

a) Observe that the disbursement matched the related original invoice/billing statement.

We observed that the selected disbursements matched the related original invoice/billing statement.

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

We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9.

<u>Credit Cards/Debit Cards/Fuel Cards/P-Cards</u>

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

We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards and obtained managementôs representation that the listing is complete.

12. 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:

The procedures listed above were performed as indicated.

a) Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

   We observed that 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) was reviewed and approved, in writing, by someone other than the authorized card holder.

b) Observe that finance charges and late fees were not assessed on the selected statements.

   We noted that two of the selected monthsô statements had finance charges assessed.

   <u>Managementôs Response:</u>

   The Entity does not typically incur finance charges on the cards every month. Because of the timing of when major school expenditures become due for the new year and when federal and state funding is received, sometimes the finance charges are a necessity. We will make every attempt to insure charges are not incurred in the future.

13. 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 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).

The procedures listed above were performed as indicated and no exceptions were noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and managementôs 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.

This procedure is not applicable as no misappropriations of public funds and assets during the fiscal period were noted.

24. 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.

The procedures listed above were performed as indicated and no exceptions were noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the 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.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018