

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

Annual Financial Statements

June 30, 2017



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Einstein Group, Inc., d/b/a Einstein Charter School (the School), which comprise the statement of financial position as of June 30, 2017, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

The performance and statistical data, included as schedules 1 through 9, is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017, on our consideration of the School'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 the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
September 18, 2017

THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,068,581
Grants Receivable	<u>2,110,248</u>
Total Current Assets	<u>6,178,829</u>
Fixed Assets	
Furniture and Equipment	388,750
Accumulated Depreciation	<u>(345,046)</u>
Total Fixed Assets, Net	<u>43,704</u>
Total Assets	<u><u>\$ 6,222,533</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 8,437
Accrued Liabilities	<u>843,891</u>
Total Current Liabilities	<u>852,328</u>
Net Assets	<u>5,370,205</u>
Unrestricted	<u>5,370,205</u>
Total Net Assets	<u>5,370,205</u>
Total Liabilities and Net Assets	<u><u>\$ 6,222,533</u></u>

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
Revenue, Grants, and Other Support			
State Public School Funding	\$ 12,470,276	\$ -	\$ 12,470,276
Federal Grants			
Grants for Education	3,499,211	-	3,499,211
School Food Service Revenue	905,099	-	905,099
Other Grants and Contributions	1,350,550	-	1,350,550
Total Revenue, Grants, and Other Support	18,225,136	-	18,225,136
Expenses			
Program Services			
Regular Education Programs	6,901,649	-	6,901,649
Special Education Programs	963,651	-	963,651
Career and Technical Education Programs	48,626	-	48,626
Special Programs	1,848,518	-	1,848,518
Other Instructional Programs	856,478	-	856,478
Pupil Support Services	866,818	-	866,818
Instructional Staff Services	420,679	-	420,679
School Administration	2,183,651	-	2,183,651
Operation and Maintenance	1,493,882	-	1,493,882
Student Transportation Services	34,389	-	34,389
Food Service	843,441	-	843,441
Depreciation	26,216	-	26,216
Management and General			
General Administration	224,080	-	224,080
Business Services	418,532	-	418,532
Central Services	902,774	-	902,774
Total Expenses	18,033,384	-	18,033,384
Change in Net Assets	191,752	-	191,752
Net Assets, Beginning of Year	5,178,453	-	5,178,453
Net Assets, End of Year	\$ 5,370,205	\$ -	\$ 5,370,205

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

**THE EINSTEIN GROUP, INC.
D/B/A EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2017**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 191,752
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	26,216
Increase in Grants Receivable	(1,382,002)
Increase in Accrued Liabilities	499,410
Decrease in Accounts Payable	<u>(83,178)</u>
Total Adjustments	<u>(939,554)</u>
Net Cash Used in Operating Activities	<u>(747,802)</u>
Net Decrease in Cash and Cash Equivalents	(747,802)
Cash and Cash Equivalents, Beginning of Year	<u>4,816,383</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,068,581</u>

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

Financial Statement Presentation

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Revenues

The School's primary source of funding is through the State Public School Funding and the Orleans Parish School Board (the School Board) which made up 79% of its funding. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Fixed Assets and Depreciation

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

Income Taxes

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

Statement of Cash Flows

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

Use of Estimates

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

Concentrations

The School received 79% of its revenues in the year ended June 30, 2017, from the State Public School Funding and the Orleans Parish School Board, subject to its charter school contract with the School Board, and 21% of its funding from the federal government.

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

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2017, were \$4,068,581, which are stated at cost and approximate market.

Note 3. Restriction on Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors. At June 30, 2017, the School had no temporarily restricted net assets.

Note 4. Grants Receivable

As of June 30, 2017, grants receivable totaled \$2,110,248, which is a combination of state and federal grants. The grants receivable balance is considered to be fully collectible.

Note 5. Fixed Assets

Depreciation expense for the year ended June 30, 2017, was \$26,216. Depreciation is calculated using the straight-line method with useful lives of 5 years.

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

Note 6. Accrued Liabilities

As of June 30, 2017, the School has recorded accrued liabilities of \$843,891. The entire amount is for employee salaries and other related employee benefits.

Note 7. Line of Credit

The School has a \$500,000 unsecured line of credit with a 3.25% interest rate that expires July 8, 2017. There were no borrowings outstanding against the line of credit at June 30, 2017.

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

Notes to Financial Statements

Note 8. Retirement Plan

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

Plan Description

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. At June 30, 2016, the TRSL was 59.9% funded. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. During the year ended June 30, 2017, the employer contribution rate was 25.5%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to the plan for the years ended June 30, 2017, 2016, and 2015, was \$2,323,350, \$1,847,613, and \$1,458,598, respectively, which was equal to the required contribution.

Note 9. Uncertain Income Taxes

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

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

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 18, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of The Einstein Group, Inc., d/b/a Einstein Charter School (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 Einstein Group, Inc. for the fiscal year ended June 30, 2017, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin___, in compliance with Louisiana Revised Statute 24:514-1. Management of The Einstein Group, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

1. We selected a 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 the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

None

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to School supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Findings:

None

Graduation Exit Exam (Schedule 8)

11. The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.

iLEAP Test Results (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Findings:

None

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of The Einstein Group, Inc., as required by Louisiana Revised Statute 24:514.1, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
September 18, 2017

THE EINSTEIN GROUP, INC.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2017

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

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 - Graduation Exit Exam

Not applicable.

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large representative sample of students in the same grade from the state. This schedule includes three years of data.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2017

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 4,019,806	
Other Instructional Staff Salaries	701,418	
Instructional Staff Employee Benefits	2,060,205	
Purchased Professional and Technical Services	155,362	
Instructional Materials and Supplies	812,875	
Instructional Equipment	2,280	
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Total Teacher and Student Interaction Activities		\$ 7,751,946
Other Instructional Activities		4,624
Pupil Support Services	256,436	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
Net Pupil Support Services		256,436
Instructional Staff Services	269,593	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		269,593
School Administration	2,134,179	
Less: Equipment for School Administration	-	
	<hr/>	
Net School Administration		2,134,179
		<hr/>
Total General Fund Instructional Expenditures		\$ 10,416,778
		<hr/>
Total General Fund Equipment Expenditures		\$ 2,280

Certain Local Revenue Sources

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

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

THE EINSTEIN GROUP, INC.
 NEW ORLEANS, LOUISIANA
 Education Levels of Public School Staff
 As of October 1, 2016

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	36	63%	39	80%	2	40%	1	100%
Master's Degree	20	34%	9	18%	3	60%		
Master's Degree +30			1	2%				
Specialist in Education								
Ph. D. or Ed. D.	2	3%						
Total	58	100%	49	100%	5	100%	1	100%

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2017

Schedule 3

Type	Number
Elementary	
Middle/Jr. High	
Secondary	
Combination	1
Total	1

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals,
and Full Time Classroom Teachers
As of October 1, 2016

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 -10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Principals				1	1	1		3
Assistant Principals		1	2					3
Classroom Teachers	42	19	22	10	7	5	2	107

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

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$47,365	\$47,365
Average Classroom Teachers Salary Excluding Extra Compensation	\$47,365	\$47,365
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	107.43	107.43

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

THE EINSTEIN GROUP, INC.
 NEW ORLEANS, LOUISIANA
 Class Size Characteristics
 As of October 1, 2016

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	61%	51	33%	28	6%	4		

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017

Schedule 7

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 4																								
Advanced	6	4%	2	1%	n/a	n/a	0	0%	0	0%	n/a	n/a	1	1%	4	3%	0	0%	n/a	n/a	n/a	n/a	0	0%
Mastery	38	24%	43	31%	n/a	n/a	20	12%	14	10%	n/a	n/a	14	9%	27	19%	9	8%	n/a	n/a	n/a	n/a	7	7%
Basic	50	30%	42	29%	n/a	n/a	43	27%	53	37%	n/a	n/a	68	41%	39	27%	52	53%	n/a	n/a	n/a	n/a	50	51%
Approaching Basic	42	25%	29	20%	n/a	n/a	70	43%	51	35%	n/a	n/a	51	31%	50	35%	25	27%	n/a	n/a	n/a	n/a	24	25%
Unsatisfactory	27	17%	28	19%	n/a	n/a	30	18%	26	18%	n/a	n/a	29	18%	24	16%	12	12%	n/a	n/a	n/a	n/a	17	17%
Total	163	100%	144	100%	n/a	n/a	163	100%	144	100%	n/a	n/a	163	100%	144	100%	98	100%	n/a	n/a	n/a	n/a	98	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 8																								
Advanced	11	11%	10	10%	n/a	n/a	4	4%	3	3%	n/a	n/a	3	3%	6	6%	0	0%	n/a	n/a	n/a	n/a	0	0%
Mastery	36	37%	38	39%	n/a	n/a	26	26%	8	8%	n/a	n/a	7	7%	27	27%	5	7%	n/a	n/a	n/a	n/a	6	8%
Basic	24	23%	24	24%	n/a	n/a	19	19%	43	44%	n/a	n/a	49	49%	29	30%	34	47%	n/a	n/a	n/a	n/a	41	56%
Approaching Basic	16	16%	15	15%	n/a	n/a	31	31%	23	23%	n/a	n/a	20	20%	21	21%	24	32%	n/a	n/a	n/a	n/a	16	22%
Unsatisfactory	13	13%	12	12%	n/a	n/a	20	20%	22	22%	n/a	n/a	21	21%	16	16%	10	14%	n/a	n/a	n/a	n/a	10	14%
Total	100	100%	99	100%	n/a	n/a	100	100%	99	100%	n/a	n/a	100	100%	99	100%	73	100%	n/a	n/a	n/a	n/a	73	100%

The LEAP was not administered for English and Mathematics for Grades 4 and 8 for the 2014-2015 school year.
The LEAP was not administered for Social Studies for Grades 4 and 8 for the 2015-2016 and the 2016-2017 school years.

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

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 3																								
Advanced	2	1%	0	0%	n/a	n/a	4	3%	3	2%	n/a	n/a	2	1%	6	4%	3	3%	n/a	n/a	n/a	n/a	0	0%
Mastery	39	27%	21	14%	n/a	n/a	30	21%	16	11%	n/a	n/a	9	6%	36	24%	15	14%	n/a	n/a	n/a	n/a	6	5%
Basic	50	36%	36	24%	n/a	n/a	44	31%	56	37%	n/a	n/a	62	46%	50	33%	39	35%	n/a	n/a	n/a	n/a	54	47%
Approaching Basic	25	18%	46	30%	n/a	n/a	35	24%	50	32%	n/a	n/a	40	27%	30	19%	29	24%	n/a	n/a	n/a	n/a	27	24%
Unsatisfactory	26	18%	49	32%	n/a	n/a	29	21%	27	18%	n/a	n/a	29	20%	30	20%	29	24%	n/a	n/a	n/a	n/a	27	24%
Total	142	100%	152	100%	n/a	n/a	142	100%	152	100%	n/a	n/a	142	100%	152	100%	115	100%	n/a	n/a	n/a	n/a	114	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 5																								
Advanced	3	2%	5	5%	n/a	n/a	5	3%	2	2%	n/a	n/a	2	1%	6	6%	0	0%	n/a	n/a	n/a	n/a	1	1%
Mastery	41	28%	43	41%	n/a	n/a	20	13%	11	10%	n/a	n/a	15	10%	19	18%	6	7%	n/a	n/a	n/a	n/a	9	10%
Basic	51	35%	23	22%	n/a	n/a	47	33%	45	43%	n/a	n/a	56	39%	44	42%	29	32%	n/a	n/a	n/a	n/a	41	46%
Approaching Basic	34	23%	24	23%	n/a	n/a	45	30%	27	25%	n/a	n/a	45	30%	24	22%	26	29%	n/a	n/a	n/a	n/a	19	21%
Unsatisfactory	20	12%	11	9%	n/a	n/a	32	21%	21	20%	n/a	n/a	30	20%	13	12%	29	32%	n/a	n/a	n/a	n/a	20	22%
Total	149	100%	106	100%	n/a	n/a	149	100%	106	100%	n/a	n/a	148	100%	106	100%	90	100%	n/a	n/a	n/a	n/a	90	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 6																								
Advanced	3	3%	3	3%	n/a	n/a	4	4%	3	3%	n/a	n/a	1	1%	1	1%	3	4%	n/a	n/a	n/a	n/a	5	6%
Mastery	22	20%	28	29%	n/a	n/a	24	22%	9	9%	n/a	n/a	16	15%	11	11%	7	7%	n/a	n/a	n/a	n/a	9	9%
Basic	33	30%	31	32%	n/a	n/a	37	34%	42	43%	n/a	n/a	47	43%	28	29%	46	48%	n/a	n/a	n/a	n/a	45	47%
Approaching Basic	32	30%	24	25%	n/a	n/a	26	24%	26	27%	n/a	n/a	30	28%	36	37%	24	25%	n/a	n/a	n/a	n/a	22	23%
Unsatisfactory	18	17%	11	11%	n/a	n/a	17	16%	17	18%	n/a	n/a	14	13%	21	22%	15	16%	n/a	n/a	n/a	n/a	14	15%
Total	108	100%	97	100%	n/a	n/a	108	100%	97	100%	n/a	n/a	108	100%	97	100%	95	100%	n/a	n/a	n/a	n/a	95	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2017		2016		2015		2017		2016		2015		2017		2016		2015		2017		2016		2015	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 7																								
Advanced	7	6%	8	7%	n/a	n/a	0	0%	2	2%	n/a	n/a	1	1%	1	1%	2	2%	n/a	n/a	n/a	n/a	4	5%
Mastery	27	24%	36	31%	n/a	n/a	17	15%	19	16%	n/a	n/a	15	13%	14	12%	13	15%	n/a	n/a	n/a	n/a	14	16%
Basic	27	24%	35	30%	n/a	n/a	39	35%	44	38%	n/a	n/a	39	35%	40	35%	33	39%	n/a	n/a	n/a	n/a	37	42%
Approaching Basic	24	22%	14	12%	n/a	n/a	43	38%	27	23%	n/a	n/a	35	31%	50	43%	30	34%	n/a	n/a	n/a	n/a	21	24%
Unsatisfactory	27	24%	23	20%	n/a	n/a	13	12%	24	21%	n/a	n/a	22	20%	11	9%	9	10%	n/a	n/a	n/a	n/a	11	13%
Total	112	100%	116	100%	n/a	n/a	112	100%	116	100%	n/a	n/a	112	100%	116	100%	87	100%	n/a	n/a	n/a	n/a	87	100%

The iLEAP was not administered for English and Mathematics for Grades 3, 5, 6, and 7 for the 2014-2015 school year.
The iLEAP was not administered for Social Studies for Grades 3, 5, 6, and 7 for the 2015-2016 and 2016-2017 school years.

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

SUPPLEMENTARY INFORMATION

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2017

<u>Board Members</u>	<u>Compensation</u>
Lauren Narcisse, President 2713 Jasmin Street New Orleans, LA 70122 (919) 599-2235	\$-0-
John C. Bowman III, Vice President 236 East 28 th Street Larose, LA 70373 (985) 696-5220	\$-0-
Clarice T. Kirkland P.O. Box 870243 New Orleans, LA 70122 (504) 253-9854	\$-0-
Durrell Laurant 3440 Peoples Avenue New Orleans, LA 70122 (504) 931-6256	\$-0-
Mauricio Sierra 819 N. Lopez Street New Orleans, LA 70119	\$-0-
Angela Vance 4769 Sherwood Drive New Orleans, LA 70128 (504) 267-5294	\$-0-

See independent auditor's report.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017

Agency Head
Shawn Toranto, CEO

Purpose	Amount
Salary	\$207,851
Benefits - Insurance	\$6,157
Benefits - Retirement	\$56,815
Benefits - PTO and Vacation Hours	\$14,952
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$1,421
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Einstein Group, Inc., d/b/a Einstein Charter School (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

A Professional Accounting Corporation

Covington, LA
September 18, 2017

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited The Einstein Group, Inc., d/b/a Einstein Charter School's (the School), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform

the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Major Federal Programs

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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



A Professional Accounting Corporation

Covington, LA
September 18, 2017

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Agriculture (Passed through the State of Louisiana) Child Nutrition Cluster		
National School Lunch Program	10.555	\$ 801,396
Total Child Nutrition Cluster		<u>801,396</u>
Child and Adult Care Food Program	10.558	<u>103,703</u>
Total United States Department of Agriculture		<u><u>905,099</u></u>
United States Department of Education		
Charter Schools (Passed through the Louisiana Department of Education)	84.282*	1,005,687
Twenty-First Century Community Learning Centers (Passed through the Orleans Parish School Board)	84.287*	338,033
Title I Grants to Local Educational Agencies	84.010	1,107,507
Special Education Grants to States	84.027	165,101
School Climate Transformation Grant	84.184G	76,371
English Language Acquisition State Grants	84.365	81,453
Improving Teacher Quality State Grants	84.367	<u>52,756</u>
Total United States Department of Education		<u><u>2,826,908</u></u>
United States Department of Health and Human Services (Passed through the Orleans Parish School Board)		
Temporary Assistance for Needy Families (TANF)	93.558	<u>256,304</u>
Total United States Department of Health and Human Services		<u><u>256,304</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 3,988,311</u></u>

* Indicates major program.

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - The schedule is prepared on the accrual basis of accounting.

Note 2 - The 10% de minimis indirect cost rate was used for Charter Schools (84.282).

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered? to be material weaknesses? | None reported |
| 5) Type of auditor's report issued on compliance for major programs | Unmodified |
| 6) Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7) Identification of major programs | |
| 84.282 - Charter Schools | |
| 84.287 - Twenty-First Century Community Learning Centers | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 9) Auditee qualified as a low-risk auditee under Uniform Guidance | Yes |

Section II. Internal Control Over Financial Reporting

None.

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

None.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2017

None.

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

For the Period of July 1, 2016 - June 30, 2017

To The Einstein Group, Inc. and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by The Einstein Group, Inc. (Einstein) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2016 through June 30, 2017. Einstein's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts***, including receiving, recording, and preparing deposits.
 - 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, and (5) monitoring card usage.

- 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 (LRS) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Einstein's policies and procedures address the applicable financial/business functions. Functions that were determined to not be applicable were items i) Ethics and j) Debt Service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: During the fiscal year, Einstein's board met ten times. Since Einstein is a charter school, it does not hold board meetings in July or August. The board minutes included financial update, budgets, and other non-budgetary items. Einstein did not have a deficit during the year ended June 30, 2017.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: For the accounts selected, all monthly bank reconciliations were prepared and included evidence that reconciliations were reviewed. Einstein contracts with a certified public accountant to prepare the monthly bank reconciliations. The bank reconciliations are then reviewed by the CFO who is an authorized check signer. We noted 20 outstanding checks totaling \$807 that have been outstanding for more than 6 months. Einstein considers these outstanding checks to be unclaimed property.

Management Response: Since Einstein contracts with a certified public accountant to perform the bank reconciliations, it believes the level of review is appropriate. Einstein will submit the outstanding checks to the Louisiana Department of the Treasury Unclaimed Property Division.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: We noted one cash collection location, the primary location. We noted that employees responsible for collecting cash are bonded. We noted that employees that collect cash are not allowed to deposit cash in the bank, per policy and procedures. We noted that Einstein does not have any formal cash registers or drawers.

Einstein has a formal process to reconcile cash collections to the general ledger, primarily through bank reconciliations performed by a person who is not responsible for cash collections.

We noted that deposit activity is mainly check deposits or ACH payment receipts. Only the student activity account included cash deposits. We selected a week with the largest collection volume for testing. For the week selected, cash collections were completely supported by documentation and were deposited within one day of collection.

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Results: As Einstein is a charter school, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. The CFO compares actual revenue to budgeted amounts on a monthly basis.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

- 8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

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

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: For all disbursement samples, initiation was performed by using an "Expenditure Request" form, which was provided with the supporting documentation. For disbursements sampled, approval and initiation on the form were not performed by the same person. All disbursements sampled included invoice, approved expenditure request form, and a copy of signed check.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: We noted that all invoices need approval from CEO or Deputy CEO for payment processing and all checks require two signatures. Personnel responsible for processing payments are not capable of adding vendors to the entity's purchasing/disbursements system.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: We noted that personnel that authorize disbursements have no responsibility of initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: We noted that blank check stock is maintained in a locked office with access restriction. We noted that access to print checks is limited to the accounting department personnel. All checks require dual signatures.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: Einstein does not use a signature stamp or machine. We noted that signed checks are returned to the accounting department for mailing.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. 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 management's representation that the listing provided is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: We noted evidence that the monthly combined statement and supporting documentation was reviewed and approved for all statements and cards sampled.

We noted no late payments or finance fees on the sample tested.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: We noted that all transactions selected were supported by an original itemized receipt and a documentation of the business/public purpose.

For the year ended June 30, 2017, we noted no construction projects over \$152,550 which is the only bid law provision applicable to charter schools.

We noted no exceptions in reviewing the transactions' detail against the requirement of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: We obtained Einstein's policies and procedures for travel expenses. The policy addresses that mileage is reimbursed at the federal rate established by the U.S. General Services Administration and meals are reimbursed at their actual cost, up to \$50 per meal. This does not exceed the GSA Meals and Incidental Expense (M&IE) rate of \$64 for the New Orleans area.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted no exceptions in comparing expense reimbursement transactions sampled to policy.

We noted that all transactions selected were supported by an original itemized receipt and documentation of a business/public purpose.

We noted no exceptions in reviewing the transactions' detail against the requirement of Article 7, Section 14 of the Louisiana Constitution.

We noted that all transactions were reviewed and approved by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

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

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: We noted a formal/written contract existed for all sampled contracts.

We noted that contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

We noted that contracts selected included no amendments.

We noted that the largest payment from each contract agreed to the supporting invoice and contract terms.

We noted that the CEO or Deputy CEO approves all contracts which is according to policy. Evidence of this approval was available for all contracts selected.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

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

We noted that compensation paid to each employee sampled was in accordance with their employment contract and pay rate structure.

We noted that changes to pay rates/salaries were properly approved by the Principal, which is according to policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: We noted that daily attendance and leave for each employee sampled was documented.

We noted that employees are required to inform their supervisor or member of management when scheduled or unscheduled leave is taken. No forms are needed to be filled out. However, their timesheets are reviewed by the supervisor and all timesheets, including sick leave and other excused leave, are approved by the CEO before payroll processing. The HR Director and CFO maintain the leave records for each payroll period during the fiscal year for leave deductions.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: We obtained management's representation that the listing provided is complete. Termination payments for employees selected were made in accordance with the employees' contracts and were approved by management.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

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

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: This section is not applicable as Einstein is a nonprofit.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: This section is not applicable as Einstein is a nonprofit.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: This section is not applicable as Einstein is a nonprofit.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: This section is not applicable as Einstein is a nonprofit.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: This section is not applicable as Einstein is a nonprofit.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: We noted no instances of misappropriation of public funds or assets, per inquiry with management and the board president.

32. Observe and report whether the entity has posted on its premises and website, the notice required by LRS 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted the LLA hotline notice per LRS 24:523.1 posted on Einstein's website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: No exceptions were noted in obtained management representation.

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

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



A Professional Accounting Corporation

Covington, LA
September 26, 2017