

FIRSTLINE SCHOOLS, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FirstLine Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses 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.

Auditors' Responsibility

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

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
FirstLine Schools, Inc.

Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 on the previous page present fairly, in all material respects, the financial position of **FirstLine** as of June 30, 2020, 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
FirstLine Schools, Inc.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying combining schedules and the accompanying Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
FirstLine Schools, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 on our consideration of **FirstLine'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 **FirstLine's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 23, 2020

FIRSTLINE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash and cash equivalents (NOTES 1 and 4)	\$ 12,107,839
Grants receivable (NOTE 7)	2,276,625
Other receivables	249,759
Prepaid expenses	502,151
Property and equipment, net (NOTES 1 and 2)	<u>599,616</u>
 Total assets	 <u><u>\$ 15,735,990</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 1,120,344
Accrued liabilities	1,270,644
Notes payable (NOTE 12)	<u>6,086,013</u>

Total liabilities	<u>8,477,001</u>
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Net Assets:

Without donor restrictions (NOTE 1)	<u>7,258,989</u>
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Total net assets	<u>7,258,989</u>
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Total liabilities and net assets	<u><u>\$ 15,735,990</u></u>
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The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>
<u>REVENUES</u>	
Local sources:	
Minimum Foundation Program	\$21,556,178
Contributions	960,567
Grants	175,000
Interest earnings	2,215
Fundraising activities	71,144
Other	1,078,703
Total local sources	<u>23,843,807</u>
State sources:	
Minimum Foundation Program	14,925,053
Grants	1,376,839
Total state sources	<u>16,301,892</u>
Federal grants	<u>9,357,222</u>
Total revenues	<u>49,502,921</u>
<u>EXPENSES</u>	
Instruction	19,105,774
Management and general	25,084,359
Fundraising	162,950
Total expenses	<u>44,353,083</u>
Changes in net assets	<u>5,149,838</u>
Net assets, beginning of year as previously reported	<u>1,691,252</u>
Prior period adjustment (NOTE 13)	<u>417,899</u>
Net assets, beginning of year as restated	<u>2,109,151</u>
Net assets, end of year	<u><u>\$ 7,258,989</u></u>

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

<u>EXPENSES (SCHEDULE IV)</u>	<u>Instructional</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 12,818,770	\$ 8,781,842	\$ 127,397	\$ 21,728,009
Employee benefits	2,805,803	2,013,298	17,649	4,836,750
Purchased professional and technical services	1,585,932	1,338,046	5,720	2,929,698
Purchased property services	3,858	2,186,811	261	2,190,930
Student transportation services	-	3,384,017	-	3,384,017
Insurance	-	787,838	-	787,838
Communications	-	269,646	-	269,646
Food service management	-	2,881,755	-	2,881,755
Other purchased services	251,190	220,144	3,623	474,957
Supplies	1,578,217	1,328,920	7,236	2,914,373
Depreciation	-	207,437	-	207,437
Miscellaneous	62,004	1,684,605	1,064	1,747,673
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 19,105,774</u>	<u>\$ 25,084,359</u>	<u>\$ 162,950</u>	<u>\$ 44,353,083</u>

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 5,149,838
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	207,437
Prior period adjustment	417,899
Other noncash item	1,630
Changes in assets and liabilities:	
Increase in prepaid expense	(483,162)
Increase in grants receivable	445,150
Decrease in other receivables	422,847
Increase in other assets	528,134
Decrease in accounts payable	(608,505)
Increase in accrued liabilities	14,302
Increase in funds held on behalf of others	(764,214)
Net cash provided by in operating activities	<u>5,331,356</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings	5,920,013
Payment on note payable	<u>(1,284,000)</u>
Net cash provided by financing activities	<u>4,636,013</u>

Increase in cash and cash equivalents	9,967,369
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Cash and cash equivalents, beginning of year	<u>2,140,470</u>
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Cash and cash equivalents, end of year	<u><u>\$ 12,107,839</u></u>
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Interest paid	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES:**

General

FirstLine Schools, Inc. (FirstLine) is a nonprofit organization formed in 1998 to serve as the chartering group for Arthur Ashe Charter School (Ashe) formerly known as New Orleans Charter Middle School (NOCMS). **FirstLine** was also granted charters by the Louisiana Board of Elementary and Secondary Education (BESE) to operate Samuel J. Green Charter School (Green) beginning in the 2005-2006 school year, Phillis Wheatley Charter School (Wheatley) beginning in the 2010-2011 school year, Langston Hughes Charter School (Hughes) beginning in the 2012-2013 school year and Live Oak Charter School (Live Oak) beginning in the 2018-2019 school year. The board of directors consists of individuals with experience in business and education that have an interest in public education.

The mission of **FirstLine** is to create and inspire great open admissions public schools in New Orleans. **FirstLine's** schools will prepare students for college and fulfilling careers by achieving the following primary objectives:

- Ensuring all of its students are on track to be academically prepared for success in a college preparatory high school and college as demonstrated by achievement, aspiration, love of learning, and confidence;
- Providing a rich variety of experiences for its students to nurture character, health, and active citizenship; and
- Developing the skillfulness of its staff and building sustainable organizations that facilitate its long-term success.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

General, Continued

In the 2019-2020 school year, Green, Ashe, Wheatley, Live Oak and Hughes served the following number of students:

Green	494
Ashe	822
Wheatley	815
Live Oak	555
Hughes	<u>773</u>
Total	<u>3,459</u>

Basis of Accounting

FirstLine's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

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

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Property and Equipment

Property and equipment of **FirstLine** with a cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenses are made by **FirstLine**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - **NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Income Taxes

FirstLine is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **FirstLine** files as a tax-exempt organization.

Should that status be challenged in the future, **FirstLine's** 2019, 2018 and 2017 tax years are open for examination by the IRS.

Financial Statement Presentation

As of July 1, 2018, **FirstLine** has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the previous standard for external financial reporting by not-for-profit organizations.

Under ASU 2016-14, **FirstLine** classifies resources for financial accounting and reporting purposes into two net (2) asset categories: without donor restrictions and with donor restrictions. A description of the two (2) net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. Grants and contributions without donor restrictions, other income and expenses incurred in conducting the mission of **FirstLine** are included in this category.

Net assets with donor restrictions include grants and contributions for which donor-imposed time and/or purpose restrictions have not been met.

At June 30, 2020, **FirstLine** had no net assets with donor restrictions.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation, Continued

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2020.

Contributions

Contributions are recorded as unrestricted, or restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is recognized as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Minimum Foundation Program (MFP)

As Type 5 charter schools, Ashe, Green, Wheatley, Live Oak and Hughes received funding from BESE passed through NOLA Public Schools in an amount for pupils based on estimated daily attendance of pupils at the schools. The amount of funding received is adjusted during the school year based on the October 1st and February 1st student counts and the results of any audits performed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been reported on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support (management and general) services benefitted.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Vacation Leave

Vacation for full-time employees is accrued on a monthly basis. Employees receive two (2) weeks annual vacation for the first five (5) years of employment. After five (5) years, employees receive three (3) weeks of vacation. After eleven (11) years, employees receive four (4) weeks of vacation. Vacation days do not accrue.

Paid Leave

Employees earn ten (10) days paid leave per year to be used in the event of their own illness, a family illness, bereavement, or personal business. Such paid leave may be used for the purpose of visiting doctors, dentist or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Paid leave cannot be carried from one year to the next, and **FirstLine** will not pay the employee for unused leave upon termination.

NOTE 2 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2020:

Land	\$ 181,485
Building improvements	2,259,591
Equipment	<u>2,090,211</u>
Total property and equipment	4,531,287
Less: accumulated depreciation	<u>(3,931,671)</u>
Net property and equipment	<u>\$ 599,616</u>

For the year ended June 30, 2020, depreciation expense was \$207,437.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - RISK MANAGEMENT:

FirstLine is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **FirstLine** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

FirstLine maintains noninterest-bearing and interest-bearing accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2020 were \$11,735,542.

NOTE 5 - CONTINGENCY:

FirstLine is a recipient of grants from local, state and federal funding agencies. The grants are governed by various local, state and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **FirstLine** and are subject to audit and/or review by grantors. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of local, state and federal agencies may be subject to recapture.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - IN-KIND CONTRIBUTIONS:

FirstLine received rent-free use of school buildings and certain furniture and equipment from NOLA Public Schools for Ashe, Green, Live Oak and Hughes Charter Schools. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

FirstLine also receives donated services from a number of unpaid volunteers assisting **FirstLine** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by and the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605-25 have not been satisfied, these donated services are not recorded in the financial statements.

NOTE 7 - GRANTS RECEIVABLE:

At June 30, 2020, grants receivable consisted of the following sources:

Federal	\$ 1,481,888
State	77,337
Local	<u>717,400</u>
Total	<u>\$2,276,625</u>

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - AVAILABILITY AND LIQUIDITY:

At June 30, 2020, **FirstLine** has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

Cash and cash equivalents	\$12,107,839
Grants receivable	2,276,625
Other receivables	<u>249,759</u>
Total	<u>\$14,634,223</u>

None of the financial assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. **FirstLine's** objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenses. **FirstLine** regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources of **FirstLine**. In addition, **FirstLine** operates with a budget and monitors sources and uses of funds throughout the year by comparing budget to actual operating expenses.

NOTE 9 - BOARD COMPENSATION:

The Board of Directors of **FirstLine** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2020.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - CONCENTRATION OF REVENUE SOURCE:

FirstLine's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **FirstLine** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1st, each year. MFP revenue accounts for 74% of **FirstLine's** total support for the year ended June 30, 2020.

NOTE 11 - OPERATING LEASE:

In April 2013, **FirstLine** entered into a lease agreement with the Wheatley School Facility Foundation, Inc. for the use of Phyllis Wheatley Elementary School facilities and grounds. The lease provides for monthly payments of \$27,280 for the first two years from the effective date, increasing thereafter at 1 ½% per year. The lease shall commence on the effective date and shall remain effective for seven (7) years, unless terminated in accordance with the term of the master lease agreement or charter school contract.

Future minimum commitments under the Wheatley lease agreement are as follows.

<u>Years Ending</u> <u>June 30:</u>	<u>Amount</u>
2021	\$ 352,660
2022	<u>357,950</u>
Total	<u>\$710,610</u>

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - NOTES PAYABLE:

A private foundation has provided an unsecured, interest-free loan for financing, as necessary, the operations of **FirstLine**. The loan balance at June 30, 2020 of \$166,000 is due in full at maturity in the 2021 fiscal year.

On August 17, 2018, a national nonprofit organization provided an unsecured loan to **FirstLine** totaling \$918,000, with an interest rate of one percent (1%) per annum (based on a 360-day year). The loan has a maturity date of June 27, 2028. However, the entire principal balance plus any unpaid interest is eligible for conversion to a grant during an eligibility period of December 15, 2019 to December 15, 2023, contingent upon **FirstLine** opening its sixth kindergarten through eighth grade school. **FirstLine** met the eligibility requirements for forgiveness of this loan and the loan is scheduled to be forgiven in **FirstLine's** 2021 fiscal year.

FirstLine obtained a U.S. Small Business Administration (SBA) loan under the Paycheck Protection Program from a financial institution in the amount of \$5,002,013.00. The note is dated April 13, 2020, accrues interest at a rate of 1% interest, and will mature in two (2) years from the date of the note on April 13, 2022. The accrued interest from the date of the note to June 30, 2020 is insignificant. The Paycheck Protection Program provides a direct incentive for small businesses to keep their workers on the payroll during the Coronavirus (COVID-19) crisis. **FirstLine's** payments on the note are deferred for a period of six (6) months from the date of the note; however, interest will begin to accrue from the date of the note and continue until the note is paid in full at the maturity date. The payment begins after the deferment period (seven (7) from the month the note was dated). The note is subject to an expected forgivable portion. The amount of the loan forgiveness shall not exceed the principal amount of the loan and is subject to SBA Rules and Regulations consistent with the Paycheck Protection Program Rules. As of the date of the auditors' report, **FirstLine** has begun the application process for the forgiveness of the SBA loan.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PRIOR PERIOD ADJUSTMENT:

The beginning net assets balance was restated in the amount of \$417,899 due to correction of errors relating to the June 30, 2019 financial statements. In the 2019 fiscal year, **FirstLine** incorrectly recorded agency related transactions as expenses rather than liabilities. As a result, in the 2019 fiscal year, expenses were overstated by \$393,486 and liabilities were overstated by \$393,486. Additionally, net assets in the amount of \$24,413 relating to the 2018 fiscal year were corrected.

NOTE 14 - NEW PRONOUNCEMENTS:

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

NOTE 15 - SUBSEQUENT EVENTS:

FirstLine is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **FirstLine** performed such an evaluation through December 23, 2020, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

FirstLine's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID 19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in an adverse impact on **FirstLine's** subsequent financial statements. Possible effects may include, but not limited to, disruption of **FirstLine's** operations and related revenue, unavailability of products and supplies used in operations and possible decline in assets held by **FirstLine**.

SUPPLEMENTARY INFORMATION

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE I
1 of 2

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
Special Education Cluster:		
IDEA, Part B	84.027	\$ 1,012,523
IDEA, Preschool	84.173	<u>14,449</u>
Total Special Education Cluster		1,026,972
Title I, Part A	84.010	2,279,376
Title II, Part A	84.367	270,232
Title III, Part A	84.365A	23,111
Title IV, Part A	84.424	233,930
Title I, Direct Student Services	84.010	84,099
21st Century	84.287	701,337
Charter Schools Program	84.282A	220,992
Striving Readers Comprehensive Literacy	84.371	452,540
State Personnel Development Grant	84.323	16,000
School Redesign Grant	84.xxx	<u>62,680</u>
Total LA State Department of Education		<u>5,371,269</u>
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: New Schools For New Orleans</u>		
Teacher Incentive Fund	84.374	<u>713,400</u>
Total New Schools For New Orleans		<u>713,400</u>
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: Collegiate Academies</u>		
Title III, Part A	84.365A	<u>11,991</u>
Total Collegiate Academies		<u>11,991</u>
Total U.S. Department of Education		<u>\$ 6,096,660</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE I
2 of 2

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
Child Nutrition Cluster:		
NSLP Equipment Assistance Grants	10.579	
National School Lunch Program and Breakfast Program	10.555, 10.553	\$ 2,417,874
Summer Feeding	10.559	513,881
Total Child Nutrition Cluster		<u>2,931,755</u>
Child and Adult Care Food Program	10.558	136,603
Fresh Fruit and Vegetable Program	10.582	47,440
Department of Defense Commodity Credits	10.xxx	<u>137,384</u>
Total U.S. Department of Agriculture		<u>3,253,182</u>
<u>U.S Department of Labor</u>		
Families First Coronavirus Response Act	17.xxx	<u>7,380</u>
U.S Department of Labor		<u>7,380</u>
Total Expenditures of Federal Awards		<u>\$ 9,357,222</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **FirstLine** under programs of the federal government for the year ended June 30, 2020 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

NOTE 2: **FirstLine** did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2020.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2020

SCHEDULE II

	FirstLine Network Activity	Live Oak Charter School	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Langston Hughes Academy Charter School	Eliminations	Total
ASSETS								
Cash and cash equivalents	\$ 9,254,356	\$ 1,058,001	\$ 414,574	\$ 472,504	\$ 213,611	\$ 694,793	\$ -	\$ 12,107,839
Grants receivable	1,356,362	244,670	70,252	47,819	327,772	229,750	-	2,276,625
Other receivables	65,796	-	-	490	183,473	-	-	249,759
Due from other programs	-	-	2,813,486	-	2,093,079	1,667,518	(6,574,083)	-
Prepaid expenses	454,951	47,200	-	-	-	-	-	502,151
Property and equipment, net	185,245	37,986	179,476	30,148	149,629	17,132	-	599,616
Total assets	\$ 11,316,710	\$ 1,387,857	\$ 3,477,788	\$ 550,961	\$ 2,967,564	\$ 2,609,193	\$ (6,574,083)	\$ 15,735,990
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts payable	\$ 275,261	\$ 122,937	\$ 178,528	\$ 122,685	\$ 242,435	\$ 178,498	\$ -	\$ 1,120,344
Accrued liabilities	112,623	186,091	257,873	183,556	259,404	271,097	-	1,270,644
Notes payable	6,086,013	-	-	-	-	-	-	6,086,013
Due to other programs	5,871,562	507,574	-	194,947	-	-	(6,574,083)	-
Total liabilities	12,345,459	816,602	436,401	501,188	501,839	449,595	(6,574,083)	8,477,001
Net Assets:								
Without donor restrictions	(1,028,749)	571,255	3,041,387	49,773	2,465,725	2,159,598	-	7,258,989
Total net assets	(1,028,749)	571,255	3,041,387	49,773	2,465,725	2,159,598	-	7,258,989
Total liabilities and net assets	\$ 11,316,710	\$ 1,387,857	\$ 3,477,788	\$ 550,961	\$ 2,967,564	\$ 2,609,193	\$ (6,574,083)	\$ 15,735,990

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE III

	FirstLine Network Activity	Live Oak Charter School	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Langston Hughes Academy Charter School	Eliminations	Total
REVENUES								
Local sources:								
Minimum Foundation Program	\$ -	\$ 3,341,540	\$ 4,951,187	\$ 2,972,105	\$ 5,635,306	\$ 4,656,040	\$ -	\$ 21,556,178
Management fee	4,137,523	-	-	-	-	-	(4,137,523)	-
Contributions	934,277	2,500	3,000	14,350	3,440	3,000	-	960,567
Grants	175,000	-	-	-	-	-	-	175,000
Interest earnings	2,215	-	-	-	-	-	-	2,215
Fundraising activities	71,144	-	-	-	-	-	-	71,144
Other	600,964	43,442	96,090	71,868	122,462	143,877	-	1,078,703
Total local sources	5,921,123	3,387,482	5,050,277	3,058,323	5,761,208	4,802,917	(4,137,523)	23,843,807
State sources:								
Minimum Foundation Program	-	2,438,921	3,399,742	2,255,141	3,605,601	3,225,648	-	14,925,053
Grants	-	313,860	234,534	123,577	359,006	345,862	-	1,376,839
Total state sources	-	2,752,781	3,634,276	2,378,718	3,964,607	3,571,510	-	16,301,892
Federal grants	1,450,968	1,215,699	1,753,117	944,221	1,855,852	2,137,365	-	9,357,222
Total revenues	7,372,091	7,355,962	10,437,670	6,381,262	11,581,667	10,511,792	(4,137,523)	49,502,921
EXPENSES								
Instruction	76,411	2,998,834	4,245,411	3,149,177	4,199,203	4,436,738	-	19,105,774
Management and general	5,466,574	3,440,170	5,505,057	2,973,447	6,202,691	5,633,943	(4,137,523)	25,084,359
Fundraising	162,950	-	-	-	-	-	-	162,950
Total expenses	5,705,935	6,439,004	9,750,468	6,122,624	10,401,894	10,070,681	(4,137,523)	44,353,083
Changes in net assets	1,666,156	916,958	687,202	258,638	1,179,773	441,111	-	5,149,838
Net assets, beginning of year as previously reported	(3,112,804)	(345,702)	2,354,185	(208,866)	1,285,950	1,718,489	-	1,691,252
Prior period adjustment	417,899	-	-	-	-	-	-	417,899
Net assets, beginning of year as restated	(2,694,905)	(345,702)	2,354,185	(208,866)	1,285,950	1,718,489	-	2,109,151
Net assets, end of year	\$ (1,028,749)	\$ 571,256	\$ 3,041,387	\$ 49,772	\$ 2,465,723	\$ 2,159,600	\$ -	\$ 7,258,989

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE IV
1 OF 2

	FirstLine Network Activity			Live Oak Charter School		Arthur Ashe Charter School		Samuel J. Green Charter School	
	Instruction	Management and General	Fundraising	Instruction	Management and General	Instruction	Management and General	Instruction	Management and General
EXPENSES									
Salaries and wages	\$ 31,311	\$ 3,070,232	\$ 127,397	\$ 1,901,188	\$ 1,094,943	\$ 2,835,302	\$ 1,194,357	\$ 2,190,456	\$ 909,131
Employee benefits	5,750	778,378	17,649	419,593	232,619	633,813	265,493	470,329	191,744
Purchased professional and technical services	5,310	352,563	5,720	273,334	359,571	386,336	1,454,057	216,378	361,008
Purchased property services	798	19,133	261	-	377,317	-	371,751	-	251,758
Student transportation services	-	-	-	-	479,307	-	791,285	-	452,517
Insurance	-	35,497	-	-	130,492	-	174,323	-	126,349
Communications	-	48,023	-	-	37,563	-	47,207	-	38,988
Food service management	-	107,975	-	-	405,881	-	678,618	-	292,175
Other purchased services	13,923	116,370	3,623	31,957	21,612	62,279	16,975	38,164	25,095
Supplies	13,863	245,330	7,236	364,697	162,920	314,680	223,910	220,219	160,162
Depreciation	-	4,742	-	-	3,849	-	74,424	-	21,215
Miscellaneous	5,456	688,331	1,064	8,065	134,096	13,001	212,657	13,631	143,305
Total expenses	\$ 76,411	\$ 5,466,574	\$ 162,950	\$ 2,998,834	\$ 3,440,170	\$ 4,245,411	\$ 5,505,057	\$ 3,149,177	\$ 2,973,447

See Independent Auditors' Report on Supplementary Information

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Phillis Wheatley Charter School		Langston Hughes Academy Charter School		Eliminations	Instruction	Grand Total	
	Instruction	Management and General	Instruction	Management and General			Management and General	Fundraising
EXPENSES								
Salaries and wages	\$ 2,854,168	\$ 1,298,394	\$ 3,006,345	\$ 1,214,785	\$ -	\$ 12,818,770	\$ 8,781,842	\$ 127,397
Employee benefits	617,328	287,139	658,990	257,925	-	2,805,803	2,013,298	17,649
Purchased professional and technical services	362,527	1,704,185	342,047	1,244,185	(4,137,523)	1,585,932	1,338,046	-
Purchased property services	1,529	753,352	1,531	413,500	-	3,858	2,186,811	5,720
Student transportation services	-	610,126	-	1,050,782	-	-	3,384,017	261
Insurance	-	170,091	-	151,086	-	-	787,838	-
Communications	-	45,169	-	52,696	-	-	269,646	-
Food service management	-	714,400	-	682,706	-	-	2,881,755	-
Other purchased services	62,792	22,020	42,075	18,072	-	251,190	220,144	3,623
Supplies	299,309	287,413	365,449	249,185	-	1,578,217	1,328,920	7,236
Depreciation	-	86,629	-	16,578	-	-	207,437	-
Miscellaneous	1,550	223,773	20,301	282,443	-	62,004	1,684,605	1,064
Total expenses	\$ 4,199,203	\$ 6,202,691	\$ 4,436,738	\$ 5,633,943	\$ (4,137,523)	\$ 19,105,774	\$ 25,084,359	\$ 162,950

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE V

FirstLine Network Activity	Samuel J. Green Charter School	Arthur Ashe Charter School	Phillis Wheatley Charter School	Live Oak Charter School	Langston Hughes Academy Charter School	Total
\$ 1,666,156	\$ 258,638	\$ 687,202	\$ 1,179,773	\$ 916,958	\$ 441,111	\$ 5,149,838
4,742	21,215	74,424	86,629	3,849	16,578	207,437
417,899	-	-	-	-	-	417,899
1,630	-	-	-	-	-	1,630
(435,962)	-	-	-	(47,200)	-	(483,162)
(1,211,914)	202,536	378,664	191,967	45,528	838,369	445,150
605,286	(490)	-	(183,473)	-	1,524	422,847
454,951	20,399	1,800	4,917	46,067	-	528,134
-	-	(2,089,013)	(2,093,079)	-	(1,372,176)	(5,554,268)
25,064	(91,794)	(144,724)	(144,842)	(47,982)	(204,227)	(608,505)
(75,491)	29,221	39,061	48,078	(75,024)	48,457	14,302
(764,214)	-	-	-	-	-	(764,214)
5,729,048	(39,519)	-	(528,498)	393,237	-	5,554,268
6,417,195	400,206	(1,052,586)	(1,438,528)	1,235,433	(230,364)	5,331,356
5,920,013	-	-	-	-	-	5,920,013
(1,284,000)	-	-	-	-	-	(1,284,000)
4,636,013	-	-	-	-	-	4,636,013
11,053,208	400,206	(1,052,586)	(1,438,528)	1,235,433	(230,364)	9,967,369
(1,798,852)	72,297	1,467,160	1,652,137	(177,431)	925,159	2,140,470
\$ 9,254,356	\$ 472,503	\$ 414,574	\$ 213,609	\$ 1,058,002	\$ 694,795	\$ 12,107,839

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets

Adjustments to reconcile changes in net assets to net cash

provided by (used in) operating activities:

Depreciation expense

Prior period adjustment

Other noncash item

Changes in assets and liabilities:

Increase in prepaid expense

(Increase) decrease in grants receivable

(Increase) decrease in other receivables

Decrease in other assets

Increase in due from other programs

Increase (decrease) in accounts payable

Increase (decrease) in accrued liabilities

Decrease in funds held on behalf of others

Increase (decrease) in due to other programs

Net cash provided by (used in) operating activities

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings

Payment on note payable

Net cash provided by financing activities

Increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE VI

Chief Executive Officer Name: Ms. Sabrina Pence

<u>Purpose</u>	<u>Amount</u>
Salary	\$160,000
Benefits – insurance	6,264
Benefits – retirement	9,600
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	466
Reimbursements	2,351
Travel	453
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
License fees	-0-
Unvouchered expenses	-0-
Special meals	-0-

See Independent Auditors' Report on Supplementary Information.



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

To the Board of Directors of
FirstLine Schools, 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 **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **FirstLine'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 **FirstLine's** internal control. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control.

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

Internal Control Over Financial Reporting, Continued

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **FirstLine'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*.

Response to Finding

FirstLine's response to the finding identified in our audit is described in **FirstLine's** corrective action plan, dated December 23, 2020. **FirstLine's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 **FirstLine's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **FirstLine's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 23, 2020



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

To the Board of Directors of
FirstLine Schools, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the compliance of **FirstLine Schools, Inc. (FirstLine)** with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **FirstLine's** major federal programs for the year ended June 30, 2020. **FirstLine's** major federal programs are identified in the Summary of Auditors' 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 its federal programs.

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **FirstLine'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 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 **FirstLine'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 each major federal program. However, our audit does not provide a legal determination of **FirstLine's** compliance.

Opinion on Each Major Federal Program

In our opinion, **FirstLine** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Report on Internal Control Over Compliance

Management of **FirstLine** 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 **FirstLine's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 **FirstLine'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

Purpose of this Report

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 23, 2020

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

- A. Type of report issued on the financial statements: Unmodified.
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? Yes.
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? No.
- D. Did the audit disclose any non-compliance which is material to the financial statements? No.
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? No.
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? No.
- G. Type of report issued on compliance for major programs: Unmodified.
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? No.
- I. Was a management letter issued? No.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Major programs:

U.S. Department of Education:

Special Education Cluster - CFDA No. 84.027
CFDA No. 84.173

U. S. Department of Agriculture:

Child Nutrition Cluster - CFDA No. 10.555
CFDA No. 10.553

U.S. Department of Education:

Title I - CFDA No. 84.010

K. Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000.

L. Auditee qualified as a low-risk auditee: **No.**

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2020-001 Prior Period Adjustment

Finding Classification

Material weakness

Finding Type

Internal control

Finding Title

Prior Period Adjustment

Resolution (Resolved/Not Resolved/Partially Resolved)

Not resolved

Number of Years Finding Reported

One (1) year - 2020

Financial Impact of Finding

Greater than \$150,000

Resolution is With or Without Cause

With cause

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2020-001 Prior Period Adjustment, Continued

Criteria

Management of **FirstLine** is responsible for designing, implementing and maintaining proper and relevant control processes to ensure accuracy and completeness in financial reporting, preparation and fair presentations of disclosures.

Condition

The beginning net assets balance was restated in the amount of \$417,899 due to correction of errors relating to the June 30, 2019 financial statements. In the 2019 fiscal year, **FirstLine** incorrectly recorded agency related transactions as expenses rather than liabilities. As a result in the 2019 fiscal year, expenses were overstated by \$393,486 and liabilities were overstated by \$393,486. Additionally, net assets in the amount of \$24,413 relating to the 2018 fiscal year were corrected.

Cause

The Finance Department of **Firstline** experienced significant personnel turnover during the 2019 fiscal year. Due to the unexpected timing of some turnover, a transfer of knowledge regarding the treatment of certain transactions did not occur and resulted in 2019 agency transactions being accounted for incorrectly during that fiscal year and being detected and corrected in the 2020 fiscal year.

Effect

The 2019 financial statements were materially misstatements.

Recommendation

We recommend that **FirstLine** review and update, as necessary, its current close out procedures to ensure that the financial statements are not material misstated.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

No matters reported.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

2019-001 Financial Close-Out and Reporting Process/Submission of Audit Report

We recommended that management establish a well-defined financial close-out and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) should be formally documented, approved and reviewed on a regular basis. No matters reported.

Current Status

Resolved.

2019-002 Cash Disbursements

We recommended that management adhere to its cash disbursement procedures to ensure that all cash disbursements are properly supported with source documentation prior to processing the disbursement for payment.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

2019-003 Deficit in Unrestricted Net Assets – Network Activity

Although the combined unrestricted net assets of **FirstLine** is not in a deficit position and no special reporting is required by the State of Louisiana for significant deficits in net assets, we recommended that **FirstLine** develop a written plan to eliminate the significant deficits in net assets of the Network Activity program within the next five (5) years to improve the combined financial position of **FirstLine**.

Current Status

Resolved. **FirstLine** has developed a plan to timely eliminate the deficit in net assets.

2019-004 Untimely Bank Reconciliation

We recommended that all **FirstLine's** bank accounts are timely reconciled to ensure that all checks, receipts and other miscellaneous items are properly recorded into the financial records of **FirstLine**.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

2019-003 Deficit in Unrestricted Net Assets – Network Activity

Although the combined unrestricted net assets of **FirstLine** is not in a deficit position and no special reporting is required by the State of Louisiana for significant deficits in net assets, we recommended that **FirstLine** develop a written plan to eliminate the significant deficits in net assets of the Network Activity program within the next five (5) years to improve the combined financial position of **FirstLine**.

Current Status

Resolved. **FirstLine** has developed a plan to timely eliminate the deficit in net assets.

2019-004 Untimely Bank Reconciliation

We recommended that all **FirstLine's** bank accounts are timely reconciled to ensure that all checks, receipts and other miscellaneous items are properly recorded into the financial records of **FirstLine**.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

2019-005 Maintenance of Effort

We recommended that **FirstLine** implement control procedures to ensure that maintenance of effort compliance requirements for its IDEA, Part B program are always met.

Current Status

Resolved.

2019-006 Procurement – Food Service Program

We recommended **FirstLine** establish procedures to ensure that the FSMC takes the same procurement requirements that **FirstLine** is subject to in any procurement action when procuring equipment on behalf of **FirstLine**.

Current Status

Resolved.

2019-007 Procurement and Suspension and Debarment

We recommended **FirstLine** adhere to its procedures to ensure that **FirstLine** complies with procurement and suspension and debarment requirements.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - MANAGEMENT LETTER

No matters reported.



December 18, 2020
Bruno & Tervalon LLP, CPA's
4298 Elysian Fields Ave
New Orleans, LA 70122

Dear Sirs,

The following is a corrective action plan addressing each finding included in the Firstline School's, Inc. Financial and Compliance and Independent Auditors report for the fiscal year ended June 30, 2020.

**Corrective Action Plan
In Response to Findings Relating to the Financial Statements
Year Ended June 30, 2020**

Section II- Financial Statement Findings

Finding 2020-001 Prior Period Adjustment

Agency's Response:

The Finance Department of Firstline experienced significant personnel turnover during the 2019 fiscal year. Due to the unexpected timing of some turnover, a transfer of knowledge regarding the treatment of certain transactions did not occur and resulted in 2019 agency transactions being accounted for incorrectly during that fiscal year and being detected and corrected in the 2020 fiscal year. Current practices require written procedures for the recordation of unusual and/or infrequent accounting transactions is available on a shared draft accessible by all members of the finance team to ensure complete transfer of knowledge when personnel turnover, expected or unexpected, occurs.

If you have any questions concerning this response, please contact Tiffany Robbins, Executive Director of Finance at (504) 239-8728.

Sincerely,

Sabrina Pence
Chief Executive Officer

FIRSTLINE SCHOOLS, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING BESE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2020

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Member
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Certified Public Accountants
Society of Louisiana
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Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
FirstLine Schools, Inc.,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by management of **FirstLine Schools, Inc. (FirstLine)**, 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 **FirstLine** for the fiscal year ended June 30, 2020, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514 I. Management of **FirstLine** 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 described on pages 3 to 5 either for the purpose for which this report has been requested or for any other purpose.

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.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

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 **FirstLine**, as required by Louisiana Revised Statute 24:514 I, 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.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 23, 2020

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

PROCEDURES AND FINDINGS

Our procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No differences noted.

Class Size Characteristics (SCHEDULE 2, formerly SCHEDULE 6)

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, 2018 roll books for those classes and observed that the class was properly classified on the schedule.

No differences noted.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Education Levels/Experience of Public School Staff (No Schedule)

3. We obtained the October 1st PEP data submitted to the Department of Education, including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data.

We noted that FirstLine had inaccurately reported the years of experience of three (3) of the twenty-five (25) individuals tested.

We noted that FirstLine had inaccurately reported the education level of two (2) of the twenty-five (25) individuals tested.

Management Response

In fiscal year 2019, FirstLine began implementation of a new Human Resources Information System (HRIS) to serve as the official employee database which includes educational level, experience, all demographic data, as well as salary information, any extra compensation. As of October 1, 2019, the system had not been fully implemented and resulted in inaccurate information being reported in PEP as information was being pulled from two different systems. By the end of fiscal year 2020, the HRIS had been fully implemented and we do not expect any future errors in reporting on years of experience or education level.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Public School Staff Data: Average Salaries (No Schedule)

4. We obtained the June 30th PEP data submitted to the Department of Education of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data.

No differences noted.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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

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

SCHEDULE 2 - Class Size Characteristics (formerly SCHEDULE 6)

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.

FIRSTLINE SCHOOLS, INC.
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2020

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 10,123,143	
Other Instructional Staff Activities	1,533,471	
Employee Benefits	2,664,041	
Purchased Professional and Technical Services	983,363	
Instructional Materials and Supplies	1,014,401	
Instructional Equipment	40,410	
Total Teacher and Student Interaction Activities		16,358,829

Other Instructional Activities		230,808
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Pupil Support Activities	2,207,360	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		2,207,360

Instructional Staff Services	2,339,752	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		2,339,752

School Administration	4,347,062	
Less: Equipment for School Administration	-	
Net School Administration		4,347,062

Total General Fund Instructional Expenditures		\$ 25,483,811
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Total General Fund Equipment Expenditures		\$ -
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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	-
Total Local Taxation Revenue	\$ -

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	\$ -

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	\$ -

Nonpublic Textbook Revenue		\$ -
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Nonpublic Transportation Revenue		\$ -
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See accompanying independent accountants' report on applying agreed-upon procedures.

FIRSTLINE SCHOOLS, INC.
Class Size Characteristics
As of October 1, 2019

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	20.8%	127	17.0%	104	55.8%	341	6.4%	39
Elementary Activity Classes	12.9%	12	43.0%	40	44.1%	41	0.0%	0
Middle/Jr. High	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Middle/Jr. High Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0
High	0.0%	0	0.0%	0	0.0%	0	0.0%	0
High Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Combination	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Combination Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.