

FIRSTLINE SCHOOLS, INC.

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF FUNCTIONAL EXPENSES.....	7
STATEMENT OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION:	
SCHEDULE I - Schedule of Expenditures of Federal Awards	21
SCHEDULE II - Combining Schedule of Financial Position.....	23
SCHEDULE III - Combining Schedule of Activities	24
SCHEDULE IV - Combining Schedule of Functional Expenses.....	25
SCHEDULE V - Combining Schedule of Cash Flows	27
SCHEDULE VI - Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer.....	28
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 <i>GOVERNMENT AUDITING STANDARDS</i>	29
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	36
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	39



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

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, 2021, 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, 2021, 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 January 20, 2022 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

January 20, 2022

FIRSTLINE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash and cash equivalents (NOTES 1 and 4)	\$ 13,146,182
Grants receivable (NOTE 7)	5,720,317
Other receivables	311,500
Prepaid expenses	680,731
Property and equipment, net (NOTES 1 and 2)	<u>475,974</u>
Total assets	<u><u>\$ 20,334,704</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 2,350,294
Accrued liabilities	976,785
Note payable (NOTE 11)	<u>5,002,013</u>

Total liabilities	<u>8,329,092</u>
-------------------	------------------

Net Assets:

Without donor restrictions (NOTE 1)	<u>12,005,612</u>
-------------------------------------	-------------------

Total net assets	<u>12,005,612</u>
------------------	-------------------

Total liabilities and net assets	<u><u>\$ 20,334,704</u></u>
----------------------------------	-----------------------------

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

FIRSTLINE SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>
<u>REVENUES</u>	
Local sources:	
Minimum Foundation Program	\$19,267,531
Contributions (NOTE 12)	1,948,206
Grants	373,939
Interest earnings	53
Fundraising activities	106,673
Other	413,187
Total local sources	<u>22,109,589</u>
State sources:	
Minimum Foundation Program	13,552,659
Grants	736,957
Total state sources	<u>14,289,616</u>
Federal grants	<u>11,064,106</u>
Total revenues	<u>47,463,311</u>
<u>EXPENSES</u>	
Instruction	24,329,819
Management and general	18,042,325
Fundraising	344,544
Total expenses	<u>42,716,688</u>
Changes in net assets	<u>4,746,623</u>
Net assets, beginning of year	<u>7,258,989</u>
Net assets, end of year	<u><u>\$12,005,612</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, 2021

<u>EXPENSES (SCHEDULE IV)</u>	<u>Instructional</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 13,462,948	\$ 8,195,968	\$ 247,333	\$ 21,906,249
Employee benefits	2,650,036	2,057,530	51,582	4,759,148
Purchased professional and technical services	1,458,694	1,401,531	20,298	2,880,523
Purchased property services	94,463	2,290,381	-	2,384,844
Student transportation services	2,233,857	-	-	2,233,857
Insurance	-	920,808	-	920,808
Communications	-	338,561	3,139	341,700
Food service management	2,033,354	-	-	2,033,354
Other purchased services	755,343	582,325	-	1,337,668
Supplies	1,632,549	1,182,627	19,092	2,834,268
Depreciation	-	123,642	-	123,642
NOLA Public Schools administrative fee (NOTE 1)	-	656,280	-	656,280
Miscellaneous	8,575	292,672	3,100	304,347
Total expenses	<u>\$ 24,329,819</u>	<u>\$ 18,042,325</u>	<u>\$ 344,544</u>	<u>\$ 42,716,688</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 4,746,623
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	123,642
Forgiveness of loan	(918,000)
Changes in assets and liabilities:	
Increase in prepaid expense	(178,580)
Increase in grants receivable	(3,443,692)
Increase in other receivables	(61,741)
Increase in accounts payable	1,229,950
Decrease in accrued liabilities	<u>(293,859)</u>
Net cash provided by in operating activities	<u>1,204,343</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on note payable	<u>(166,000)</u>
Net cash used in financing activities	<u>(166,000)</u>
Increase in cash and cash equivalents	1,038,343
Cash and cash equivalents, beginning of year	<u>12,107,839</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,146,182</u></u>
Interest paid	<u><u>\$ -</u></u>

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 2020-2021 school year, Green, Ashe, Wheatley, Live Oak and Hughes served the following number of students:

Green	489
Ashe	805
Wheatley	836
Live Oak	419
Hughes	<u>819</u>
Total	<u>3,368</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.

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** 2020, 2019 and 2018 tax years are open for examination by the IRS.

Financial Statement Presentation

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, 2021, **FirstLine** had no net assets with donor restrictions.

**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, 2021.

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. NOLA Public Schools receives from **FirstLine** an administrative fee of about 2% of MFP funds.

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, 2021:

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>(4,055,313)</u>
Net property and equipment	<u>\$ 475,974</u>

For the year ended June 30, 2021, depreciation expense was \$123,642.

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, 2021 were \$5,668,018.

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 - LEASE AND USE AGREEMENTS:

FirstLine entered into facility lease agreements with the NOLA Public Schools to lease school property owned by NOLA Public Schools for purposes of **FirstLine** operating Green, Ashe, Wheatley, Live Oak and Hughes charter schools. For each charter school, the facility lease term effective for the 2021 fiscal year was for the period of July 1, 2020 to June 30, 2021. NOLA Public Schools extended the terms of the Charter Schools' facility leases as follows:

Live Oak	July 1 2021 to June 30, 2023
Ashe	July 1 2021 to June 30, 2026
Green	July 1 2021 to June 30, 2024
Wheatley	July 1 2021 to June 30, 2024
Hughes	July 1 2021 to June 30, 2023

In consideration of the use of NOLA Public Schools' school properties, **FirstLine** agreed to pay NOLA Public Schools use fees for each charter school based on a formula to compute NOLA Public Schools' per pupil unit cost, as defined in the respective facility lease agreements.

FirstLine is responsible for the maintenance costs of the leased property and for property repairs. In addition, any facility alterations to the lease property must be approved by NOLA Public Schools.

The use of the properties as described above is not recorded as an in-kind contribution from, or related rent expense to, NOLA Public Schools as the value of the land and building is not readily available.

NOTE 7 - GRANTS RECEIVABLE:

At June 30, 2021, grants receivable consisted of the following sources:

Federal	\$ 5,472,544
State	18,077
Local	<u>229,696</u>
Total	<u>\$5,720,317</u>

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

NOTE 8 - AVAILABILITY AND LIQUIDITY:

At June 30, 2021, **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	\$13,146,182
Grants receivable	5,720,317
Other receivables	<u>311,500</u>
 Total	 <u>\$19,177,999</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, 2021.

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 69% of **FirstLine's** total support for the year ended June 30, 2021.

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN:

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. 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, 2021 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.

FirstLine was granted full forgiveness of the loan in the 2022 fiscal year. **FirstLine** has met the conditions for forgiveness by incurring eligible expenditures and will recognize \$5,002,013 of the loan as an unconditional contribution in the year ending June 30, 2022.

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

NOTE 12 - FORGIVENESS OF LOAN:

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 was scheduled to mature on June 27, 2028. However, the entire principal balance plus any unpaid interest was eligible for forgiveness prior to the loan's maturity date subject to the approval of the loan provider.

On August 19, 2020, **FirstLine** was granted full forgiveness of the loan in the amount of \$918,000. **FirstLine** has met the conditions for forgiveness and has recognized \$918,000 of the loan as an unconditional contribution at June 30, 2021.

NOTE 13 - 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 14 - 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 January 20, 2022, 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 SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - SUBSEQUENT EVENTS, CONTINUED:

FirstLine's operations may be affected by the 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**.

Due to declining enrollment at Live Oak, **FirstLine** decided in December 2021 to voluntarily surrender the charter of Live Oak effective at June 30, 2022.

SUPPLEMENTARY INFORMATION

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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>		
<u>Awards from a Pass-Through Entity</u>		
<u>Passed-Through: LA State Department of Education</u>		
Special Education Cluster:		
IDEA, Part B	84.027	\$ 955,086
IDEA B - High Cost Services	84.027	412,413
IDEA, Preschool	84.173	<u>10,061</u>
Total Special Education Cluster		1,377,560
Title I, Part A	84.010A	2,395,044
Title I, Direct Student Services	84.010	73,746
School Redesign Grant	84.010	310,794
Title II, Part A	84.367	328,875
Title III, Part A	84.365A	46,592
Title IV, Part A	84.424	196,489
21st Century	84.287	699,138
Governor's Emergency Education Relief Fund	84.425C	154,213
CARES Act	84.425D	1,841,686
Striving Readers Comprehensive Literacy	84.371	<u>290,449</u>
Total LA State Department of Education		<u>7,714,586</u>
<u>Awards from a Pass-Through Entity</u>		
<u>Passed-Through: New Schools For New Orleans</u>		
Teacher Incentive Fund	84.374	<u>541,927</u>
Total New Schools For New Orleans		<u>541,927</u>
Total U.S. Department of Education		<u>\$ 8,256,513</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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>		
<u>Awards from a Pass-Through Entity</u>		
<u>Passed-Through: LA State Department of Education</u>		
Child Nutrition Cluster:		
NSLP Equipment Assistance Grants:		
National School Lunch Program and Breakfast Program	10.555, 10.553	\$ 6,071
Summer Feeding	10.559	2,010,628
Total Child Nutrition Cluster		2,016,699
Child and Adult Care Food Program	10.558	562,232
Fresh Fruit and Vegetable Program	10.582	50,075
Department of Defense Commodity Credits	10.xxx	164,435
Total U.S. Department of Agriculture		2,793,441
<u>U.S Department of Labor</u>		
Families First Coronavirus Response Act	17.xxx	14,152
U.S Department of Labor		14,152
Total Expenditures of Federal Awards		\$ 11,064,106

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, 2021 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, 2021.

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2021

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
<u>ASSETS</u>								
Cash and cash equivalents	\$ 13,138,317	\$ (142,153)	\$ 125,983	\$ (98,812)	\$ 20,980	\$ 101,867	\$ -	\$ 13,146,182
Grants receivable	737,972	734,745	1,103,623	735,605	1,250,154	1,158,218	-	5,720,317
Other receivables	275,112	-	29,880	595	1,860	4,053	-	311,500
Due from other programs	-	-	2,867,431	-	2,180,851	1,751,682	(6,799,964)	-
Prepaid expenses	633,531	47,200	-	-	-	-	-	680,731
Property and equipment, net	181,485	34,137	111,807	11,064	129,938	7,543	-	475,974
Total assets	<u>\$ 14,966,417</u>	<u>\$ 673,929</u>	<u>\$ 4,238,724</u>	<u>\$ 648,452</u>	<u>\$ 3,583,783</u>	<u>\$ 3,023,363</u>	<u>\$ (6,799,964)</u>	<u>\$ 20,334,704</u>
<u>LIABILITIES AND NET ASSETS</u>								
Liabilities:								
Accounts payable	\$ 349,521	\$ 295,687	\$ 424,303	\$ 274,541	\$ 562,644	\$ 443,598	\$ -	\$ 2,350,294
Accrued liabilities	32,176	128,824	209,569	160,856	201,538	243,822	-	976,785
Note payable	5,002,013	-	-	-	-	-	-	5,002,013
Due to other programs	6,216,848	371,392	-	211,724	-	-	(6,799,964)	-
Total liabilities	<u>11,600,558</u>	<u>795,903</u>	<u>633,872</u>	<u>647,121</u>	<u>764,182</u>	<u>687,420</u>	<u>(6,799,964)</u>	<u>8,329,092</u>
Net Assets:								
Without donor restrictions	<u>3,365,859</u>	<u>(121,974)</u>	<u>3,604,852</u>	<u>1,331</u>	<u>2,819,601</u>	<u>2,335,943</u>	<u>-</u>	<u>12,005,612</u>
Total net assets	<u>3,365,859</u>	<u>(121,974)</u>	<u>3,604,852</u>	<u>1,331</u>	<u>2,819,601</u>	<u>2,335,943</u>	<u>-</u>	<u>12,005,612</u>
Total liabilities and net assets	<u>\$ 14,966,417</u>	<u>\$ 673,929</u>	<u>\$ 4,238,724</u>	<u>\$ 648,452</u>	<u>\$ 3,583,783</u>	<u>\$ 3,023,363</u>	<u>\$ (6,799,964)</u>	<u>\$ 20,334,704</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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
<u>REVENUES</u>								
Local sources:								
Minimum Foundation Program	\$ -	\$ 2,486,039	\$ 4,764,175	\$ 2,811,068	\$ 4,658,760	\$ 4,547,489	\$ -	\$ 19,267,531
Management fee	6,253,703	-	-	-	-	-	(6,253,703)	-
Contributions	1,901,383	3,000	3,000	15,000	22,823	3,000	-	1,948,206
Grants	150,000	-	78,310	36,280	88,685	20,664	-	373,939
Interest earnings	53	-	-	-	-	-	-	53
Fundraising activities	106,673	-	-	-	-	-	-	106,673
Other	110,927	15,767	60,780	22,137	28,053	175,523	-	413,187
Total local sources	8,522,739	2,504,806	4,906,265	2,884,485	4,798,321	4,746,676	(6,253,703)	22,109,589
State sources:								
Minimum Foundation Program	-	1,711,219	3,203,950	2,175,173	3,267,750	3,194,567	-	13,552,659
Grants	18,077	103,676	15,149	91,027	272,335	236,693	-	736,957
Total state sources	18,077	1,814,895	3,219,099	2,266,200	3,540,085	3,431,260	-	14,289,616
Federal grants	1,302,801	1,397,466	2,216,103	1,395,439	2,351,343	2,400,954	-	11,064,106
Total revenues	9,843,617	5,717,167	10,341,467	6,546,124	10,689,749	10,578,890	(6,253,703)	47,463,311
<u>EXPENSES</u>								
Instruction	410,869	3,291,193	5,530,154	3,827,499	5,606,036	5,664,068	-	24,329,819
Management and general	4,693,596	3,119,203	4,247,848	2,767,067	4,729,837	4,738,477	(6,253,703)	18,042,325
Fundraising	344,544	-	-	-	-	-	-	344,544
Total expenses	5,449,009	6,410,396	9,778,002	6,594,566	10,335,873	10,402,545	(6,253,703)	42,716,688
Changes in net assets	4,394,608	(693,229)	563,465	(48,442)	353,876	176,345	-	4,746,623
Net assets, beginning of year	(1,028,749)	571,255	3,041,387	49,773	2,465,725	2,159,598	-	7,258,989
Net assets, end of year	\$ 3,365,859	\$ (121,974)	\$ 3,604,852	\$ 1,331	\$ 2,819,601	\$ 2,335,943	\$ -	\$ 12,005,612

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE IV
Page 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
<u>EXPENSES</u>									
Salaries and wages	\$ 283,253	\$ 2,901,355	\$ 247,333	\$ 1,854,855	\$ 914,159	\$ 3,028,781	\$ 1,015,594	\$ 2,238,828	\$ 846,333
Employee benefits	55,269	790,136	51,582	352,896	207,651	598,382	250,997	432,386	206,802
Purchased professional and technical services	1,000	311,552	20,298	55,952	1,055,692	381,431	1,796,333	251,025	779,630
Purchased property services	-	98,359	-	14,524	413,075	14,769	447,911	14,425	348,702
Student transportation services	-	-	-	349,977	-	571,709	-	341,947	-
Insurance	-	47,086	-	-	124,029	-	216,754	-	130,888
Communications	-	67,229	3,139	-	45,540	-	51,223	-	53,700
Food service management	65,690	-	-	239,490	-	484,394	-	208,237	-
Other purchased services	453	119,650	-	100,987	71,405	171,316	47,153	130,939	93,841
Supplies	5,008	170,952	19,092	322,430	184,896	277,735	174,495	207,279	160,499
Depreciation	-	3,760	-	-	3,849	-	67,669	-	19,084
NOLA Public Schools administrative fee (NOTE 1)	-	-	-	-	83,945	-	159,363	-	99,725
Miscellaneous	196	183,517	3,100	82	14,962	1,637	20,356	2,433	27,863
Total expenses	\$ 410,869	\$ 4,693,596	\$ 344,544	\$ 3,291,193	\$ 3,119,203	\$ 5,530,154	\$ 4,247,848	\$ 3,827,499	\$ 2,767,067

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE IV
Page 2 of 2

	Phillis Wheatley Charter School		Langston Hughes Academy Charter School		Eliminations	Grand Total		
	Instruction	Management and General	Instruction	Management and General		Instruction	Management and General	Fundraising
EXPENSES								
Salaries and wages	\$ 2,919,896	\$ 1,300,376	\$ 3,137,335	\$ 1,218,151	\$ -	\$ 13,462,948	\$ 8,195,968	\$ 247,333
Employee benefits	588,641	301,943	622,462	300,001	-	2,650,036	2,057,530	51,582
Purchased professional and technical services	392,025	1,827,792	377,261	1,884,235	(6,253,703)	1,458,694	1,401,531	20,298
Purchased property services	24,958	485,262	25,787	497,072	-	94,463	2,290,381	-
Student transportation services	493,086	-	477,138	-	-	2,233,857	-	-
Insurance	-	201,102	-	200,949	-	-	920,808	-
Communications	-	59,913	-	60,956	-	-	338,561	3,139
Food service management	537,918	-	497,625	-	-	2,033,354	-	-
Other purchased services	179,956	155,066	171,692	95,210	-	755,343	582,325	-
Supplies	467,889	202,052	352,208	289,733	-	1,632,549	1,182,627	19,092
Depreciation	-	19,691	-	9,589	-	-	123,642	-
NOLA Public Schools administrative fee (NOTE 1)	-	158,468	-	154,779	-	-	656,280	-
Miscellaneous	1,667	18,172	2,560	27,802	-	8,575	292,672	3,100
Total expenses	\$ 5,606,036	\$ 4,729,837	\$ 5,664,068	\$ 4,738,477	\$ (6,253,703)	\$ 24,329,819	\$ 18,042,325	\$ 344,544

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

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
CASH FLOWS FROM OPERATING ACTIVITIES:							
Changes in net assets	\$ 4,394,608	\$ (48,442)	\$ 563,465	\$ 353,876	\$ (693,229)	\$ 176,345	\$ 4,746,623
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:							
Depreciation expense	3,760	19,084	67,669	19,691	3,849	9,589	123,642
Forgiveness of loan	(918,000)	-	-	-	-	-	(918,000)
Changes in assets and liabilities:							
Increase in prepaid expense	(178,580)	-	-	-	-	-	(178,580)
(Increase) decrease in grants receivable	618,390	(687,786)	(1,033,371)	(922,382)	(490,075)	(928,468)	(3,443,692)
(Increase) decrease in other receivables	(209,316)	(105)	(29,880)	181,613	-	(4,053)	(61,741)
Increase in due from other programs	-	-	(53,945)	(87,772)	-	(84,164)	(225,881)
Increase (decrease) in accounts payable	74,260	151,856	245,775	320,209	172,750	265,100	1,229,950
Increase (decrease) in accrued liabilities	(80,447)	(22,700)	(48,304)	(57,866)	(57,267)	(27,275)	(293,859)
Increase (decrease) in due to other programs	345,286	16,777	-	-	(136,182)	-	225,881
Net cash provided by (used in) operating activities	<u>4,049,961</u>	<u>(571,316)</u>	<u>(288,591)</u>	<u>(192,631)</u>	<u>(1,200,154)</u>	<u>(592,926)</u>	<u>1,204,343</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Payment on note payable	(166,000)	-	-	-	-	-	(166,000)
Net cash used in financing activities	<u>(166,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,000)</u>
Increase (decrease) in cash and cash equivalents	3,883,961	(571,316)	(288,591)	(192,631)	(1,200,154)	(592,926)	1,038,343
Cash and cash equivalents, beginning of year	<u>9,254,356</u>	<u>472,504</u>	<u>414,574</u>	<u>213,611</u>	<u>1,058,001</u>	<u>694,793</u>	<u>12,107,839</u>
Cash and cash equivalents, end of year	<u>\$ 13,138,317</u>	<u>\$ (98,812)</u>	<u>\$ 125,983</u>	<u>\$ 20,980</u>	<u>\$ (142,153)</u>	<u>\$ 101,867</u>	<u>\$ 13,146,182</u>

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, 2021

SCHEDULE V

Chief Executive Officer Name: Sabrina Pence

<u>Purpose</u>	<u>Amount</u>
Salary	\$186,000
Benefits – insurance	\$5,336
Benefits – retirement	\$16,193
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	\$998
Travel	-0-
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.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

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, 2021, 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 January 20, 2022.

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. 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.

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*.

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

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

January 20, 2022



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

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, 2021. **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, 2021.

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

January 20, 2022

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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? No.
- 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, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Major programs:

U.S. Department of Education:

Twenty-First Century Community

Learning Centers

- CFDA No. 84.287

U. S. Department of Agriculture:

Education Stabilization Fund

- CFDA No. 84.425

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, 2021

Section II - FINANCIAL STATEMENT FINDINGS

No matters reported.

**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, 2021

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

2020-001 Prior Period Adjustment

Recommendation

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

Current Status

Resolved.

SECTION II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

No matters reported.

SECTION III - MANAGEMENT LETTER

No matters reported.