

FIRSTLINE SCHOOLS, INC.

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT

FOR THE YEAR ENDED JUNE 30, 2017

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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., a nonprofit organization, for the year ended 2017, and the related statements of financial position as of the end of 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 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 do not provide any assurance about the future viability of the organization or the results of operations.

To the Board of Directors of  
FirstLine Schools, Inc.

### Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence to support the 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 estimates made by management, as well as performing the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FirstLine as of June 30, 2017, and the changes in its net assets and its cash flows for the year ended in accordance with the 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 presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 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 AUDIT REPORT**  
**(CONTINUED)**

To the Board of Directors of  
FirstLine Wireless, Inc.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 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**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018

**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

Cash and cash equivalents (NOTES 1 and 4)	\$ 918,991
Cash held for others	166,172
Grants receivable (NOTE 8)	1,323,618
Other receivables	733,357
Prepaid expenses	22,078
Property and equipment (NOTE 5)	1,242,740
<b>Total assets</b>	<u><b>\$ 4,366,956</b></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>	
Accounts payable	\$ 1,900,599
Accrued liabilities	1,060,091
Funds held on behalf of others	166,172
Loan payable (NOTE 13)	<u>740,740</u>
<b>Total liabilities</b>	<u><b>3,867,602</b></u>
<b>Net Assets:</b>	
Unrestricted	(171,882)
Temporarily restricted	<u>671,236</u>
<b>Total net assets</b>	<u><b>499,354</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 4,366,956</b></u>

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

**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Local sources:			
Minimum Foundation Program	\$ 16,231,945	\$ -	\$ 16,231,945
Contributions	7,784,442	1,735,522	9,519,964
Interest earnings	3,499	-	3,499
Fundraising activities	3,059	-	3,059
Other	443,083	-	443,083
Total local sources	<u>18,543,772</u>	<u>1,735,522</u>	<u>20,279,294</u>
Minimum Foundation Program	12,591,154	-	12,591,154
Grants	173,622	-	173,622
Total state sources	<u>12,764,776</u>	<u>-</u>	<u>12,764,776</u>
Federal grants	875,380	-	875,380
Net assets released from restrictions (NOTE 7)	1,064,286	(1,064,286)	-
Total revenues	<u>41,123,214</u>	<u>671,236</u>	<u>41,794,450</u>
<b>EXPENSES</b>			
Program Services:			
Instruction programs	16,440,521	-	16,440,521
Support Services:			
Pupil support services	7,885,962	-	7,885,962
Instructional staff services	1,795,054	-	1,795,054
School administration	4,055,860	-	4,055,860
Business services	3,981,667	-	3,981,667
Operations and maintenance	3,041,710	-	3,041,710
Student transportation services	3,311,567	-	3,311,567
Central services	615,092	-	615,092
Food services operations	3,636,686	-	3,636,686
Fundraising	53,318	-	53,318
Depreciation	350,849	-	350,849
Total expenses	<u>45,168,282</u>	<u>-</u>	<u>45,168,282</u>
Changes in net assets	(4,045,068)	671,236	(3,373,832)
Net assets, beginning of year	3,873,186	-	3,873,186
Net assets, end of year	<u>\$ (171,882)</u>	<u>\$ 671,236</u>	<u>\$ 499,354</u>

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



**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

(cont.)

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ (3,323,832)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation expense	350,827
Changes in assets and liabilities:	
Decrease in prepaid expense	201,197
Increase in grants receivable	(252,588)
Decrease in other receivables	585,137
Decrease in other assets	53,697
Increase in accounts payable	1,129,755
Decrease in accrued liabilities	(478,400)
Increase in funds held on behalf of others	47,275
Net cash used in operating activities	<u>(1,795,960)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of property and equipment	<u>(329,822)</u>
Net cash used in investing activities	<u>(329,822)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from loan payable	<u>800,000</u>
Net cash provided by financing activities	<u>800,000</u>
Decrease in cash and cash equivalents	(1,325,782)
Cash and cash equivalents, beginning of year	<u>2,410,945</u>
Cash and cash equivalents, end of year	<u>\$ 1,085,163</u>

The accompanying notes are an integral part of these 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 Classical School (NOC), **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, Joseph S. Clark Charter School (Clark) beginning in the 2011-2012 school year and Langston Hughes Charter School (Hughes) beginning in the 2012-2013 school year. **FirstLine** will transfer governance for four of their five charters (Ashe, Green, Wheatley and Langston Hughes) to Orleans Parish School Board on July 1, 2017. 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 objectives:

- o 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;
- o Providing a rich variety of experiences for students to nurture character, health, and active citizenship; and
- o 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**

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

General, Continued

In the 2016-2017 school year, Green, Ashe, Wheatley, Clark and Hughes served the following number of students:

Green	493
Ashe	747
Wheatley	730
Clark	201
Hughes	<u>798</u>
Total	<u>2,969</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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 if acquired through donation. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

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

Property and Equipment, Continued

Donations of property are estimated at fair market value 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. Revenues 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 investments maturing within 90 days of the reporting date, or less. The caption on cash and cash equivalents on the Statement of Cash Flows includes cash and cash equivalents and cash held for others from the Statement of Financial Position.

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 2017, 2016 and 2015 tax years are open for examination by the IRS.

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

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

Financial Statement Presentation

For the year ended June 30, 2017, FirstLine followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Not-for-Profit Entities - Determination of* Under FASB ASC Section 958-205, FirstLine is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, FirstLine is required to present a statement of cash flows.

A description of the three net asset categories is as follows:

- o Unrestricted net assets include support, revenues, and expenses for the general operations of FirstLine.
- o Temporarily restricted net assets include contributions for which donor-imposed restrictions have not been met.
- o Permanently restricted net assets are contributions which are required by donor-imposed restriction to be held in perpetuity with only the income be made available for program operations in accordance with the donor restricted net assets until utilized for donor-imposed restrictions.

At June 30, 2017, FirstLine had no permanently restricted net assets.

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 for 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 pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2017.

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

NATURE OF ACTIVITIES AND SUMMARY  
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Contributions

FirstLine accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*, in accounting for contributions received and for the donor-imposed restrictions. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Administrative and Instructional Expenses

As Type 5 charter schools, Ashe, Green, Wheatley, Cloninger, and Hushes received funding from BESE 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 1<sup>st</sup> and February 1<sup>st</sup> 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 summarized on a functional basis in the accompanying Statement of Activities. Accordingly, administrative and instructional program and support services in the accompanying statement of activities.

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

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

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.

Paid Leave

Employees earn ten (10) days paid leave per year, or 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 doctor, dentist or other recognized practitioners. Employees may also use paid leave for the above purposes. 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 - PROPERTIES AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2017:

Land	\$ 181,485
Building improvements	2,314,935
Equipment	<u>2,200,733</u>
Total property and equipment	4,697,153
Less: accumulated depreciation	<u>(3,406,413)</u>
Net property and equipment	\$ 1,290,740

For the year ended June 30, 2017, depreciation expense was \$350,849.

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

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**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, 2017 were \$668,992.

**NOTE 5 - CONTINGENCY:**

FirstLine is a recipient of grants from local, state and federal funding agencies, various local, state and federal organizations, and contract 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.

**NOTE 6 - IN-KIND CONTRIBUTIONS:**

FirstLine received rent-free use of school buildings and certain furniture and equipment from the Louisiana State Board of Education, Green, Green, Clark and Hughes Charter Schools. The estimated values of the buildings, furniture and equipment are not readily determinable and no amounts have been recorded in the accompanying financial statements.



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

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**NOTE 6 - IN-KIND CONTRIBUTIONS, CONTINUED:**

FirstLine also receives in-kind services from a number of qualified volunteers assisting FirstLine with its programs, activities, and operations. An estimated value of these services is not readily 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 958-603-29 have not been satisfied, these in-kind services are not recorded in the financial statements.

**NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS:**

For the year ended June 30, 2017, net assets were released from donor restrictions in the amount of \$1,064,286 by incurring a number of expenses satisfying the restricted purposes specified by donors for the Edible School Yard Program.

**NOTE 8 - GRANTS RECEIVABLE:**

At June 30, 2017, grants receivable consisted of the following sources:

Federal	\$ 460,000
Local	<u>854,668</u>
	<b>\$1,323,618</b>

**NOTE 9 - 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. In connection with the preparation and evaluation of the financial statements through April 30, 2018, 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.

**NOTE 10 - BOARD COMPENSATION:**

The Board of Directors of FirstLine is a voluntary board; therefore, no compensation was paid to any board member during the reporting period ended June 30, 2017.

**NOTE 11 - FUNDING:**

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 1<sup>st</sup>, each year. MFP revenue accounts for 69% of FirstLine's total support for the year ended June 30, 2017.

**NOTE 12 - OPERATING LEASE:**

In April 2013, FirstLine entered into a lease agreement with the 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 year, increasing thereafter at 1% annually. The lease shall remain effective for seven (7) years, unless terminated in accordance with the term of the underlying master lease agreement or charter school contract.

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

<u>Year</u>	<u>Amount</u>
2018	\$ 343,597
2019	348,571
2020	353,982
2021	<u>268,463</u>
<b>Total</b>	<b><u>\$1,314,793</u></b>

**NOTE 12 - Loan Payable:**

A private foundation has provided an unsecured, interest-free loan totaling \$800,000 for FirstLine's operations. Principal on the loan is due in full at maturity in the 2019 fiscal year. When the loan proceeds were advanced, FirstLine recorded contribution revenue and a loan discount using an 8% rate. The loan is reported in the statement of financial position net of unamortized discount of \$59,260 at June 30, 2017.

**SUPPLEMENTARY INFORMATION**

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULE I**

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>		
<i>Awards from a Pass-Through Entity</i>		
<i>Passed Through: LA State Department of Education</i>		
IASA Title I, Part A	84.010	\$ 1,940,012
IASA Title II, Part A	84.267	243,781
IASA Title III, Part A	84.031	20,994
IEEA, Part B	84.027	758,707
IEEA B- High Cost Services	84.282C	154,409
IEEA, Preschool	84.172	7,724
21st Century	84.287	337,266
State Personnel Development Grant	84.323	8,585
Striving Readers Comprehensive Literacy	84.171	364,172
School Improvement Grants (Section 1003(g) of ESEA)	84.377	1,009,011
<b>Total LA State Department of Education</b>		<b>4,744,713</b>
<i>Passed Through: New Orleans Business Alliance</i>		
Perkins	84.048	11,269
<b>Total New Orleans Business Alliance</b>		<b>11,269</b>
<i>Passed Through: New Schools for New Orleans</i>		
Teacher Incentive Fund	84.374	93,000
CSP	84.282C	11,588
<b>Total U.S. Department of Education</b>		<b>4,871,250</b>
<b>U.S. Department of Homeland Security</b>		
<i>Awards from a Pass-Through Entity</i>		
<i>Passed Through: Governor's Office of Security and Emergency Preparedness</i>		
HOMA Disaster Relief	97.036	24,720
<b>Total U.S. Department of Homeland Security</b>		<b>24,720</b>

See Independent Auditors' Report on Supplementary Information.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULE 4**

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
<i>Direct Awards</i>		
Farm to School Grant Program	10.375	\$ 10,000
<i>Awards from a Pass-Through Entity</i>		
<i>Passed Through L.A. State Department of Education</i>		
<i>Child Nutrition Cluster</i>		
Summer Fooding	10.559	\$2,702
National School Lunch Program and Breakfast Program	10.555, 10.511	2,468,000
Fresh Fruit and Vegetable Program	10.582	63,140
<b>Total Child Nutrition Cluster</b>		<b>2,533,450</b>
<i>Passed Through L.A. State Department of Education</i>		
Child and Adult Care Food Program	10.558	1,084,928
<b>Total U.S. Department of Agriculture</b>		<b>3,616,778</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
<i>Awards from a Pass-Through Entity</i>		
<i>Passed Through Los Angeles School District</i>		
Temporary Assistance for Needy Families	93.338	148,800
<b>U.S. Department of Health and Human Services</b>		<b>148,800</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 4,751,300</b>

Note: This 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, 2017 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.

FIRSTLIFE INCUBATOR, INC.  
 COMBINED SCHEDULE OF FINANCIAL POSITIONS  
 JUNE 30, 2017

NUMBER 10

ASSETS	Gifts and Year	FirstLife Network Activity	Arthur Ashe Charter School	Harriet L. Spens Charter School	Phyllis Wheatley Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Blissmakers	Total
Cash and cash equivalents	\$ 4,445	\$ 783,308	\$ 43,420	\$ 1,974	\$ 864	\$ 2,002	\$ 78,309	\$ -	\$ 834,912
Gifts for other	-	88,869	15,019	42,703	42,703	7,812	91,822	-	146,132
Gifts for other	688,000	32,271	78,874	122,263	212,862	132,139	152,869	-	1,321,638
Other receivables	2,177	685,652	8,374	34,809	13,266	1,812	18,373	-	733,007
Due from other programs	363,346	4,137,312	3,628,138	3,132,096	2,415,918	946,436	3,097,238	(166,374,053)	-
Prepaid expenses	589	11,943	288	2,342	4,392	2,078	267	-	22,038
Prepurchased equipment, net	-	296,362	413,506	84,933	163,204	1,740	106,069	-	1,265,180
Total assets	\$ 1,073,334	\$ 8,819,864	\$ 4,179,364	\$ 2,362,276	\$ 3,082,885	\$ 3,124,958	\$ 3,084,897	\$ 1,664,699,053	\$ 4,364,084
Liabilities	-	-	-	-	-	-	-	-	-
Accounts payable	-	834,879	441,080	2,741,794	342,467	347,180	342,262	-	1,965,399
Accounts receivable	16,638	13,130	243,023	262,973	249,144	124,478	331,815	-	1,065,081
Funds payable in kind of other	-	-	46,969	13,009	42,309	7,811	31,622	-	146,172
Loan payable	-	793,748	-	-	-	-	-	-	793,748
Due to other programs	377,190	2,798,848	1,906,064	1,885,572	2,137,931	928,472	1,893,843	(116,379,053)	-
Total liabilities	\$ 377,190	\$ 2,288,348	\$ 2,792,379	\$ 2,723,918	\$ 2,973,786	\$ 2,973,869	\$ 2,198,542	\$ (116,379,053)	\$ 3,867,905
Net Assets	\$ 696,144	\$ 6,531,516	\$ 1,386,985	\$ 638,358	\$ 1,109,099	\$ 1,151,089	\$ 886,355	\$ 1,781,042	\$ 496,179
Unrestricted	\$ 195,790	\$ (2,548,960)	\$ 1,432,080	\$ 39,376	\$ 199,079	\$ (98,811)	\$ 196,265	\$ -	\$ (175,199)
Temporarily restricted	\$ 475,354	-	-	-	-	-	-	-	\$ 475,354
Total net assets	\$ 696,144	\$ 6,531,516	\$ 1,432,080	\$ 39,376	\$ 199,079	\$ (98,811)	\$ 196,265	\$ -	\$ 496,179
Total liabilities and net assets	\$ 1,073,334	\$ 8,819,864	\$ 4,179,364	\$ 2,362,276	\$ 3,082,885	\$ 3,124,958	\$ 3,084,897	\$ 1,664,699,053	\$ 4,364,084

See Independent Auditor's Report on Supplemental Information

FIDELITY SCHOLARS, INC.  
 COMBINING SCHEDULE OF ACTIVITIES  
 FOR THE YEAR ENDED 12/31/18, 2017

	Edible School Yard	Headline Network Activity	Arboretum Charter School	Samuel J. Green Charter School	Phyllis Moody Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Eliminations	Total
<b>Local assets</b>									
Common Foundation Program	-	3,171,111	4,001,380	1,490,463	4,348,779	1,183,588	4,507,648	(2,175,215)	\$ 10,213,043
Administrative fee revenue	-	76,743	-	-	-	-	-	-	76,743
Expenses for:									
Administrative-revenue	-	1,279,158	91,179	4,869	290,648	265,110	363	-	1,766,443
Construction-expenses restricted	1,705,522	-	-	-	-	-	-	-	1,705,522
Charter revenue	43	1,877	154	293	1,208	-	-	-	3,699
Subsidizing activities	3,676	-	-	-	-	-	-	-	3,676
Depreciation	1,696	59,193	38,938	75,712	81,778	93,617	95,449	-	481,083
Other total local sources	1,361,731	3,346,314	4,133,311	1,766,463	4,945,315	1,477,652	4,711,718	(1,175,275)	28,278,284
Liabilities									
Common Foundation Program	-	-	3,073,803	1,061,319	2,400,648	1,249,110	3,200,118	-	11,986,114
Other	-	-	1,069	1,045	87,154	878	113,142	-	115,022
Other total liabilities	-	-	3,074,872	1,062,364	2,487,802	1,250,088	3,313,260	-	12,101,286
Net assets	19,087	669,892	791,897	1,194,111	1,794,798	1,467,879	1,408,458	-	8,791,160
Total assets	1,761,121	3,848,438	8,945,235	8,012,321	9,234,341	4,325,617	8,118,875	(1,175,275)	41,794,452
<b>EXPENSES</b>									
Common Foundation Program	-	365,672	3,866,381	1,782,231	3,791,698	1,470,680	4,114	-	16,448,721
Other programs	-	482,886	1,281,162	1,265,858	1,498,387	1,182,705	113,344	-	7,085,962
Other support services	1,864,070	668,977	14,094	-	-	-	-	-	1,947,141
Professional staff services	-	11,916	642,913	714,961	902,579	859,436	174,712	-	4,007,660
Travel administration	4,587	1,779,479	41,175	36,092	34,465	26,202	889,779	-	3,091,687
Salaries services	4,342	318,819	46,446	164,311	862,831	198,534	1,421,765	-	3,081,760
Telephone and mail services	-	793,798	793,798	615,208	722,148	679,248	539,219	-	3,311,963
Capital transportation services	-	611,693	847,121	193,723	863,838	149,821	12,175,276	-	411,093
Other services	-	18,182	1,042,396	442,337	928,247	149,821	1,003,211	-	3,626,686
Child services operators	-	2,248	-	-	-	-	348,317	-	352,614
Facilities	11,176	2,418	18,196	29,772	88,066	22,498	112	-	205,849
Foundation	1,863,286	8,217,811	9,527,997	4,869,839	4,939,392	4,931,562	65,025	(1,175,275)	41,148,282
Other expenses	-	-	-	-	-	-	175,000	-	175,000
Total	258,838	2,268,403	(182,302)	(643,117)	(727,346)	(176,315)	(95,933)	-	(1,333,832)
Net assets, beginning of year	(192,278)	(198,177)	3,954,807	479,895	468,261	86,374	121	-	5,873,186
Net assets, end of year	1,914,478	3,548,985	1,477,405	36,278	199,079	(99,811)	392	-	3,498,274

See Independent Auditor's Report on Supplementary Information



FIRSTLENE SCHOOLS, INC.  
COMBINING SCHEDULES OF CASH FLOWS  
FOR THE YEAR ENDING JUNE 30, 2017

	School Year	Fixed-Line Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillips W. Wootley Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 726,834	\$ (2,168,463)	\$ (582,362)	\$ (443,517)	\$ 3,466	\$ (736,147)	\$ (222,953)	\$ (1,377,832)
Change in net assets	-	6,458	158,590	28,773	1,066	22,493	65,512	252,889
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities	(369)	55,250	28,999	34,913	3,847	3,448	38,324	91,8
Depreciation expense	(620,000)	(45,380)	(31,876)	(6,598)	1,662	6,539	133,303	2,5
Change in prepaid expenses	14,004	72,324	250,297	3,773	3,000	(1,812)	(18,323)	2,1
Change in accounts payable	(1,344)	(7,792,873)	(8,822,548)	(1,417,849)	(2,888)	(806,707)	(1,943,884)	(4,607
Change in other assets	-	4,854	-	24,060	644	-	15,126	25,684
Change in accounts payable	-	200,887	159,422	180,318	3,886	91,851	258,594	693,877
Change in accrued liabilities	(1,792)	(199,481)	(38,073)	(68,314)	(178)	(87,060)	(60,658)	(3,662)
Change in prepaid expenses	-	(51,298)	31,266	743	1,094	-	28,348	(2,107)
Change in other assets	131,807	3,429,828	1,966,964	1,886,572	65	626,433	1,819,413	7,832,222
Change in cash	(19,800)	(2,166,238)	287,261	22,489	5,471	(998)	63,825	(1,932,290)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	(78,981)	(171,253)	(33,902)	61	(3,742)	(58,820)	(1,627,758)
Proceeds from sale of property and equipment	-	(28,983)	(171,253)	(33,902)	61	(3,742)	(58,820)	(366,881)
Proceeds from sale of other assets	-	141,000	-	-	-	-	-	141,000
Proceeds from sale of investments	-	(28,000)	-	-	-	-	-	(28,000)
Proceeds from sale of cash and cash equivalents	(9,880)	(1,266,239)	35,466	(10,483)	90	(2,740)	29,005	(1,487,571)
Change in cash	(14,205)	(2,481,172)	(57,193)	(27,529)	324	(2,346)	(100,326)	(2,668,051)
Cash at beginning of year	5	4,415	93,189	5	17,033	9,811	129,331	5,172,510
Cash at end of year	-	-	-	-	-	-	-	2,504,459

See Independent Auditor's Report

Supplementary Information

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FIRSTLINE SCHOOLS, INC.  
SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO THE CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2017

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SCHEDULE 1

Chief Executive Officer Name: Mr. Jay Altman

<u>Purpose</u>	<u>Amount</u>
Salary	\$156,100
Benefits – insurance	6,765
Benefits – retirement	9,366
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-
Reimbursement	-
Travel	1,418
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.

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

Directors of  
**FirstLine Schools, Inc.**

We have audited the financial statements of FirstLine Schools, Inc. (FirstLine), a nonprofit organization, which comprise the statements of financial position, net assets or fund balances, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we evaluated 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 we do not express 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 to 2017-005 that we consider to be significant deficiencies.

### 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, obtaining 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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON TESTING  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH CERTIFIED PUBLIC ACCOUNTING STANDARDS  
(CONTINUED)

### Response to Findings

FirstLine's response to the findings identified in our audit is described in a separate letter identified as the audit's corrective action plan, dated April 30, 2018.

### 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, and is intended to be read in conjunction with the auditor's report on 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

April 30, 2018

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 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, 2017. **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 the compliance requirements of each of FirstLine's 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 (*2 CFR 200*). These standards and principles 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 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 type 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, 2017.

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 required by the Uniform Guidance 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 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. 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 to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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

**Report on Internal Control Over Compliance, Continued**

Our consideration of internal control over compliance was ~~for~~ ~~the~~ ~~purpose~~ ~~described~~ ~~in~~ ~~the~~ ~~first~~ ~~paragraph~~ ~~of~~ ~~this~~ ~~section~~ ~~and~~ ~~was~~ ~~not~~ ~~designed~~ ~~to~~ ~~identify~~ ~~all~~ ~~deficiencies~~ ~~in~~ ~~internal~~ ~~control~~ ~~over~~ ~~obtaining~~ ~~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.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of ~~the~~ ~~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  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

April 30, 2018

FIRSTLINE SCIENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**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 financial weaknesses? yes.
- 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? None Reported.
- 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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, & CONTINUITY  
FOR THE YEAR ENDED JUNE 30, 2017

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SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Major programs:

U.S. Department of Education:  
School Improvement Grants - CFDA No. 84.377

U. S. Department of Agriculture:  
Child and Adult Care Food Program - CFDA No. 10.558

U. S. Department of Health and Human  
Services:  
Temporary Assistance for Needy Families - CFDA No. 93.002

K. Dollar threshold used \$750,000.

L. Auditee qualified as a low-risk auditee: Yes.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS**

**Audit Finding Reference Number**

2017-001 Financial Close-Out and Reporting Process/Submission of Audit Report

**Finding Classification**

Significant deficiency

**Finding Type**

Internal controls

**Finding Title**

Financial close-out and reporting process/submission of audit report

**Resolution (If not resolved, describe what has been done)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**Financial Impact of Finding**

Less 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, 2017

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2017-001 Financial Close-Out and Reporting Process (Submission of Audit Report, Continued)

Criteria

Management of FirstLine is responsible for designing, implementing and maintaining proper and relevant internal management processes to ensure accurate, fair, completeness in monitoring, preparation and fair presentations of disclosures.

LSA-RS 24:513 (A)(5)(D) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after the end of the fiscal year. Louisiana Legislative Auditor Authority Cabinet approves an extension request of time for submission.

Condition

We noted during our audit that FirstLine's 2017 fiscal year-end financial close-out and reporting process was not timely completed until March 2018. From the period of February 2017 to November 2017, FirstLine's accounting department was operating without a Chief Financial Officer (CFO) to provide the accounting department with oversight and management reporting, financial planning, record-keeping and financial risks. Therefore, FirstLine's June 30, 2017 financial statements were prepared and finalized nearly nine (9) months after the fiscal year-end. In December 2017, a new CFO was hired.

Legislative Auditor by the statutory due date of December 31, 2017.

Cause

This condition was caused by 1) sudden turnover of key financial personnel during the period of the financial close-out and reporting process, 2) the lack of a transitional period for the new accounting personnel to familiarize themselves with FirstLine's financial operations, and 3) needed updated written financial close-out and reporting policies and procedures.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-001 Financial Close-Out and Reporting Process/Submission of Audit Report,  
Continued**

**Effect**

Financial information was not timely and accurate. Management failed to prepare and communicate June 30, 2017 financial statements and communicated to management and the Board of Directors for their use. Also, failure to timely submit the required audit report to the Legislative Auditor after the six (6) months' timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law and therefore subject to penalty.

**Recommendation**

We recommend that management establish a well-defined financial close-out and reporting process. The process and its key attributes (e.g., timing, format and frequency of analyses) should be formally documented, approved and reviewed on a regular basis.

FIRSTLINE SCHOOLS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

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Section II - FINANCIAL STATEMENTS

2017-002 Documented Reviews and Approvals

Finding Classification

Significant deficiency

Finding Type

Internal controls

Finding Title

Documented reviews and approvals

Resolution (Resolved/Not Resolved/Partially Resolved)

Not resolved

Number of Years Finding Reported

One (1)-2017

Financial Impact of Finding

Less 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, 2017**

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**Section II - FINANCIAL**

2017-002

Financial

Management of FirstLine is responsible for maintaining a system of recordkeeping that ensure that all documentation is complete, accurate and properly retained for the required time period.

**Condition**

We noted during our audit that supervisory reviews and approvals were not documented for the following activities:

- employee time review process;
- bank statement review process;
- bank reconciliation review process; and
- credit card charges of authorized personnel review process.

The noted deficiencies were not significant enough to warrant any proposed audit adjustments.

**Cause**

Weak review and approval processes.

**Effect**

Possible material misstatements or errors due to fraud may occur intentionally or unintentionally without timely detections.



**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-002 Documented Reviews and Approvals, Continued**

**Recommendation**

We recommend that FirstLine establish internal controls that require documented supervisory reviews and approvals of employees' time reports, bank reconciliations, bank statements prior to bank reconciliations and credit card statements and related supporting documentation of credit card charges on an ongoing basis.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-003 Requisition and/or Purchase Order System**

**Finding Classification**

Significant deficiency

**Finding Type**

Administrative procedure

**Finding Title**

Requisition and/or purchase order system

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years First Reported**

One (1)-2017

**Financial Impact**

Less 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, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-003 Requisition and/or Purchase Order System, Continued**

**Criteria**

Appropriate records should be in place to ensure that all payments disbursed are properly authorized, approved, processed and related supports are properly recorded and kept according to the established policies and procedures.

**Condition**

We noted twelve (12) of twenty-five (25) tested payments for purchases were processed without 1) an approved requisition and/or purchase order, 2) a receiving report showing receipt of goods purchased, or electronic equivalent; and 3) an approved invoice.

**Cause**

FirstLine failed to follow established policies and procedures.

**Effect**

Potential fraudulent activities could occur and not be detected on a timely basis.

**Recommendation**

We recommend that FirstLine revisit its current requisition and/or purchase order system to ensure all required policies and procedures are strictly followed as established.

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**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-004 Unrestricted Net Asset Deficit - Network Activity**

**Finding Classification**

Significant deficiency

**Finding Type**

Other

**Finding Title**

Unrestricted Net Asset Deficit - Network Activity

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**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, 2017.**

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**Section II FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-2018 Unrestricted Net Asset Deficit – Network Activity, Continued**

**Criteria**

Special reporting is required by the State of Louisiana for a quasi-public entity reporting an unrestricted net asset deficit that is greater than accumulated depreciation plus

**Condition**

As of June 30, 2017, Firstline's Network Activity program reported a significant unrestricted net asset deficit of \$2,548,580.

In 2017, the unrestricted Network Activity program absorbed a larger portion of the other programs' deficits by reducing the administration fee charged to other busier programs for the current year. The separation in the Edible School Yard program from the unrestricted Network Activity program is another contributing factor. Subsequent to year-end and moving forward, Edible School Yard program will be combined with the unrestricted FirstLine's Network Activity program, thereby reducing the negative deficit. Lastly, the loss of key financial personnel in 2017 created a void in program budget monitoring and control, which further impacted the unrestricted net deficit.

**Effect**

Continued deficit in the unrestricted net assets of the entity may result in its inability to continue as a viable entity.

**Recommendation**

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 net asset deficits, we recommend that Firstline develop a written plan to eliminate the significant net asset deficit of the Network Activity program within the next five (5) years to improve the combined unrestricted net assets of Firstline.

**FIRST WYOMING SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-005 Credit Card Charges**

**Finding Classification**

Significant deficiency

**Finding Type**

Credit card usage/travel

**Finding Title**

Credit card charges

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

2017

**Financial Impact of Finding**

Greater than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS**  
**FOR THE YEAR ENDING 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS CONTINUED**

**2017-005 Credit Card Charges, Continued**

**Criteria**

Records should be maintained for all charges, balances and support with amounts reported in accordance with the established policies and procedures.

**Condition**

Based on our tests of credit card charges, we noted the following:

- one hundred forty-three (143) of the eight hundred forty-six (846) charges tested were not supported by an itemized receipt;
- one hundred sixty-three (163) of the eight hundred forty-six (846) charges tested did not have documentation of the business purpose; and
- two hundred fifty-three (253) of the eight hundred forty-six (846) charges tested did not have other documentation required by FirstLine's policies (i.e., purchase order, written pre-authorization).

**Cause**

FirstLine did not adhere to credit card policies and procedures.

**Effect**

Unauthorized/nonbusiness credit card charges may occur with weak internal controls over credit card charges without timely

**Recommendation**

We recommend that FirstLine intensify efforts to ensure that credit card charges are always supported with source documentation (i.e., invoice or itemized receipt) and that each credit card charge is documented with the business purpose.

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF **INTERNAL CONTROL AND COMPLIANCE QUESTIONS**  
FOR THE YEAR ENDED JUNE 30, 2017

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

No matters reported.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE  
MATERIAL TO FEDERAL AWARDS**

No matters reported.

**SECTION III - MANAGEMENT LETTER**

No matters reported.





April 30, 2018  
Bruno & Tervalon LLP, CPA's  
4298 Elysian Fields Ave  
New Orleans, LA 70122

Dear Sirs,

The following is a corrective action plan addressing the findings identified in the Independent Auditors report for Firstline Schools, Inc. Financial and Compliance Audit for the year ended June 30, 2017.

**Corrective Action Plan  
In Response to Findings Relating to the Financial Statements  
Year Ended June 30, 2017**

**Section I - Financial Statement Findings**

**Finding 17-01 Financial Close and Reporting Procedures in Audit**

**Agency's Response:**

Management, along with the Audit and Finance Committees, will review and appropriately revise the current financial reporting procedures to ensure timely completion of audit engagements. Firstline Schools (FLS) will note that there were extenuating circumstances that delayed the completion of the audit report, including loss of key personnel with the vacancies of the Director of Finance and Grants Manager of the agency. These vacancies resulted in additional time scheduled for the preparation of audit work and getting the report completed. Management has since hired essential staff and taken corrective action by implementing procedures to ensure accuracy and reliability of financial statements through the monthly close and reconciliation process. FLS will create closing and audit timelines that will assist with the timely completion of future audit reports.

**Finding 17-002 Documented Reviews and Approvals**

Management will review and update all financial reporting documents, bank statements, and other financial records to ensure they are reviewed and approved. Management is currently reviewing all documents, but will improve the process by which these documents are documented. Management and the Board of Directors will implement internal control policies and procedures to address the findings.



Finding 2017-003 Requisition and/or Purchase Order System

Agency's Response:

FLS will ensure that all purchases are approved prior to processing regardless of the amount that those purchases are for. Management will ensure that the purchase order system is used in all applicable instances. Management will ensure that the purchase order system is used in all applicable instances.

Finding 2017-004- Unrestricted Net Asset Deficit- Network Activity

Agency's Response

Management has expanded capacity in the accounting and finance department to ensure fiscal oversight, resulting in enhanced cost control measures and timely financial reporting to Management and the Board of Directors. FLS has also modified the budget process to include more comprehensive and conservative budget projections to align with shifts in state and local funding and implementation of cost control measures to reduce overall spending. Management has implemented an appropriate financial sustainability plan that includes the reduction of net assets across the Network activity program and the implementation of the financial position of FirstLine Schools.

Finding 2017-005 Requisition Credit Card Charges

Agency's Response:

Credit Card purchases are reviewed for business purpose and backup documentation during the monthly reconciliation process. Management and the Board of Directors will revisit the current credit card policy and procedure, modify the policy, and ensure full implementation of the revised policy.

If you have any questions concerning this response, please contact Gizelle Johnson-Banks, Chief Financial Officer at (504) 267-9038.

Sincerely,



Jay Altman  
CEO