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**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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*A Professional Accounting Corporation*

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Educators for Quality Alternatives, Inc. (the School) 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 (collectively, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 School'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 School'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 Educators for Quality Alternatives, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 as a whole.

The information included in the performance and statistical data is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 29, 2022

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,515,590
Restricted cash	232,835
Grants receivable	343,537
Other receivables	9,380
Deposits	8,750
Prepaid expenses	<u>81,833</u>
 Total current assets	 <u>2,191,925</u>

**PROPERTY AND EQUIPMENT**

Building improvements	298,837
Furniture and fixtures	19,065
Equipment	150,559
Less accumulated depreciation	<u>(388,692)</u>
 Total fixed assets, net	 <u>79,769</u>
 Total assets	 <u>\$ 2,271,694</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 267,794</u>
 Total liabilities	 <u>267,794</u>

**NET ASSETS**

Without donor restrictions	1,751,065
With donor restrictions	<u>252,835</u>
 Total net assets	 <u>2,003,900</u>
 Total liabilities and net assets	 <u>\$ 2,271,694</u>

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

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenues, grant and other support:</b>			
State and local public school funding	\$ 6,464,506	\$ -	\$ 6,464,506
Federal grants	823,530	-	823,530
Federal grants - PPP loan forgiveness	528,615	-	528,615
Donations and grants	50,727	532,000	582,727
Other income	37,130	-	37,130
Net assets released from restrictions	479,165	(479,165)	-
	<hr/>	<hr/>	<hr/>
Total revenues, grants and other support	8,383,673	52,835	8,436,508
<b>Expenses:</b>			
Program services			
Regular programs	1,813,519	-	1,813,519
School administration	2,078,565	-	2,078,565
Pupil support services	787,301	-	787,301
Other instructional services	368,188	-	368,188
Special education programs	1,208,925	-	1,208,925
Other instructional programs	19,286	-	19,286
Technical programs	527,249	-	527,249
Transportation services	293,731	-	293,731
Food services	85,373	-	85,373
Operation and maintenance of plant	918,876	-	918,876
Management and general			
Central services	259,611	-	259,611
Business services	261,512	-	261,512
General administration	128,359	-	128,359
	<hr/>	<hr/>	<hr/>
Total expenses	8,750,495	-	8,750,495
Change in net assets	(366,822)	52,835	(313,987)
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<hr/>	<hr/>	<hr/>
	2,117,887	200,000	2,317,887
<b><u>NET ASSETS AT END OF YEAR</u></b>	<hr/>	<hr/>	<hr/>
	\$ 1,751,065	\$ 252,835	\$ 2,003,900

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

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
	<u>Instructional</u>	<u>Management &amp; General</u>	
<b>Expenses:</b>			
Salaries and benefits	\$ 4,795,245	\$ 220,397	\$ 5,015,642
Payroll taxes	364,067	17,273	381,340
Other benefits	518,520	30,684	549,204
Professional services	537,703	273,860	811,563
Student transportation and travel	295,252	-	295,252
Supplies	293,667	15,370	309,037
Utilities	94,544	-	94,544
Repairs and maintenance	309,840	-	309,840
Insurance	91,111	694	91,805
Communication	114,105	-	114,105
Food service management	10,000	-	10,000
Depreciation expense	-	90,872	90,872
Rental	477,490	-	477,490
Other	199,469	332	199,801
<b>Total expenses</b>	<b>\$ 8,101,013</b>	<b>\$ 649,482</b>	<b>\$ 8,750,495</b>

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



**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (313,987)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	90,872
Forgiveness of refundable advance	(528,615)
(Increase) decrease in:	
Grants receivable	(129,736)
Other receivables	(9,380)
Prepaid expenses	54,879
Increase in:	
Accounts payable and accrued liabilities	124,388
	(711,579)
Net cash used in operating activities	(711,579)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of property and equipment	(52,318)
	(52,318)
Net cash used in investing activities	(52,318)

Net decrease in cash and restricted cash	(763,897)
Cash and restricted cash, beginning of year	2,512,322
	2,512,322
Cash and restricted cash, end of year	\$ 1,748,425

**RECONCILIATION TO STATEMENT OF FINANCIAL POSITION**

Cash	\$ 1,515,590
Restricted cash	232,835
	1,748,425
Cash and restricted cash, end of year	\$ 1,748,425

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

# EDUCATORS FOR QUALITY ALTERNATIVES, INC.

## NOTES TO FINANCIAL STATEMENTS

### **1. Summary of Significant Accounting Policies**

Educators for Quality Alternatives, Inc. (the "School") was created as a non-profit corporation under the laws of the State of Louisiana on July 14, 2009. The School applied to the Louisiana Board of Elementary and Secondary Education ("BESE") to operate a Type 5 charter school. The charter school contract, effective July 1, 2012, is entered into between the School and its Board of Directors and BESE for the purpose of operating The NET Charter High School. The school serves students aged from 16 - 21 years of age. On July 1, 2017, BESE granted the School an additional charter to operate another Type 5 charter school. The Net Gentilly commenced operations during the fiscal year ending June 30, 2018. Effective July 1, 2018, the School's charters were changed from Type 5 under BESE to Type 3b under the Orleans Parish School Board ("OPSB"). In July 2019, the School added The Bridge program for 7th & 8th graders during their expulsion term. This is not a charter school, rather it is a program that is contracted through the OPSB. In addition, the School received a Type 1 Charter for New Orleans Accelerated High School to commence July 1, 2020.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### Basis of Presentation

The School is required to report information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Cash, Cash Equivalents, and Restricted Cash

For purposes of the Statement of Cash Flows, the School considers all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. For the year ended June 30, 2021, the School did not have any cash equivalents. The School considers cash balances with a donor imposed restriction (purpose or time) to be restricted cash.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Grant Receivables

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at time of the purchase and an expense is reported in the year in which services are consumed.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value if donor-contributed. The School capitalizes all property and equipment purchases over \$5,000. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight line method with estimated useful lives of 3 to 5 years.

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

Payroll Protection Plan (PPP Loan)

With respect accounting for the Payroll Protection Program Funding, the School may choose to follow the debt approach guidance in FASB ASC 470, *Debt* or the in-substance government grant approach in FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. The School has elected to follow the debt approach guidance in FASB ASC 470, *Debt*.

Revenues

The School follows GAAP in their assessment of whether revenue is an exchange transaction (contract) or contribution (non-exchange) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions.

The School receives its support primarily from the Louisiana State Department of Education and the United States Department of Education. The School receives funding per eligible student in attendance on October 1st, payable in monthly installments. The October 1st student count is audited by the Louisiana Department of Education. Adjustments are made in the following year. Federal grants are on a cost reimbursement basis. An accrual is made when the School has met the performance requirements and/or eligible expenses are incurred. Amounts received prior to incurring qualified expenditures are reported as refundable advances in the Statement of Financial Position.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Revenues (continued)

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions are not recognized until the conditions on which they depend have been substantially met. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Revenues from other sources are recorded as revenue in the period in which the School provides the service at the amount that reflects the consideration to which the School expects to be entitled for providing the service or good.

Donated Services

For the year ended June 30, 2021, the School had a total of 50 volunteers who served approximately 2,000 hours. Volunteer services included tutoring and classroom assisting, building beautification, office help and internship mentors. The value of these services is not recognized in the accompanying financial statements as they do not meet the criteria for recognition under GAAP.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first reported by direct identification and then allocation if an expenditure benefits more than one program or function. Salaries and employee benefits have been allocated based on time and effort. Professional services, supplies, insurance, and other expenses have been allocated based on actual expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Income Taxes

The School is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes. The School applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of applying this approach, the School has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

New Accounting Pronouncement

As of July 1, 2020, the School adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The School adopted this ASU using the modified prospective approach, and there was no significant impact on the financial statements.

Accounting Pronouncements Issued but Not Yet in Effect

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for the School’s year ending June 30, 2022.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the statement of financial position as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to simplify the lease standard’s implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years’ results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard will be effective for the School’s year ending June 30, 2023.

The school is currently evaluating the impact these standards will have on its financial statements.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**2. Concentrations**

For the year ended June 30, 2021, the School received approximately 90% of its total revenues from Federal and State of Louisiana grantors.

The School maintains cash balances at local financial institutions. The Federal Deposit Insurance Corporation insure accounts up to \$250,000. At times during the year, the School's amounts may exceed the federally insured limits. The School has not historically experienced any loss in such accounts and management believes the School is not exposed to any significant credit risk related to the cash in the banks.

**3. Contingencies**

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

**4. Liquidity and Availability of Resources**

The School's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenses. The School 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 the School. In addition, the School operates with a budget and monitors sources and uses of funds throughout the year by comparing budget to actual operating expenses.

Financial assets available for general expenditure within one year of the Statement of Financial Position date, comprise the following as of June 30, 2021:

Cash	\$ 1,515,590
Grants receivable	343,537
Other receivables	9,380
Deposits	8,750
	<u>\$ 1,877,257</u>

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**5. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of net assets are time-restricted by donors. Net assets with donor restrictions are available for the following purposes as of June 30, 2021:

The Bridge Program	\$ 95,000
The Bridge Program - Behavioral Health	81,626
The Bridge Program - Reducing Recidivism	27,209
The NET: Central City - Summer Program	24,000
The NET: Gentilly - Summer Program	15,000
Agile Mind Math	10,000
	<u>\$ 252,835</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the year ended June 30, 2021:

Expansion support	\$ 200,000
The Bridge Program - Behavioral Health	143,374
The Bridge Program - Reducing Recidivism	47,791
NOAH - Summer Program	30,000
The NET: Central City - Summer Program	24,000
The NET: Gentilly - Summer Program	19,000
Nursing services and personal protective equipment	7,500
Virtual services for COVID-vulnerable students and families	7,500
	<u>\$ 479,165</u>

**6. Retirement Plan**

Effective December 1, 2012, the School provides a 403(b) plan for all regular full-time employees. An employee becomes eligible to participate in the plan on the first day of the month following the date of hire. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The plan allows for discretionary non-elective employer contributions, and all employees are immediately vested. For the year ended June 30, 2021, the School did not make any employer contributions.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**7. Leases**

The School leases its buildings under the terms of three operating leases expiring on June 1, 2022, August 31, 2023, and May 31, 2027, respectively.

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

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2022	\$ 469,288
June 30, 2023	398,526
June 30, 2024	277,359
June 30, 2025	253,050
June 30, 2026	253,050
Thereafter	231,963
	<u>\$ 1,883,236</u>

For the year ended June 30, 2021, the School subleased space in one of their buildings and earned \$33,684 in rental income. For fiscal year ending June 30, 2022, the School estimates that it will earn \$33,684 in rental income.

**8. Outbreak of COVID-19 and Paycheck Protection Program**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global and domestic economy and created significant volatility and disruption of financial markets. The extent of the continuing impact of the COVID-19 pandemic on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the School's donors, students, employees, and vendors, all of which are uncertain and cannot be predicted.

During the year ended June 30, 2020, the School applied for and was approved for a \$528,615 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration as part of the relief efforts related to COVID-19. The School is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized. The School recognized the loan as a note payable for the year ended June 30, 2020. In June 2021, the entire loan was forgiven; therefore, the School recognized the loan as federal grant revenue in the Statement of Activities for the year ended June 30, 2021.

**9. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2022, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**SUPPLEMENTARY INFORMATION**

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF COMPENSATION, BENEFITS,**  
**AND OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Agency Head Name: Elizabeth Ostberg, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 109,533
Benefits - Employer Portion of Insurance	7,921
Total	<u>\$ 117,454</u>

See accompanying independent auditors' report.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***



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*A Professional Accounting Corporation*

**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 for  
Educators for Quality Alternatives, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Educators for Quality Alternatives, Inc. (the School), which comprise the statement of financial position as of June 30, 2021, 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 March 29, 2022.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001, to be a material weakness.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-002, to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.



### **The School's Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 29, 2022



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*A Professional Accounting Corporation*

**INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**Report on Compliance for Each Major Federal Program**

We have audited Educators for Quality Alternatives, Inc.’s (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School’s major federal programs for the year ended June 30, 2021. The School’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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

***Auditors’ Responsibility***

Our responsibility is to express an opinion on compliance for the School’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 1 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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





### ***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items, 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School 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 the School internal control over compliance.

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items, 2021-003 and 2021-004, that we consider to be significant deficiencies.

The School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response

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.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 29, 2022



**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass Through Grantor/ Program Title	Assistance Listing Number	Grantor Project Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Passed through the Louisiana Department of Education			
Title I Grants to Local Education Agencies	84.010A	28-21-T1-7R	\$ 179,209
Title I Direct Student Services	84.010A	28-21-DSS-7R	4,300
Title I ReDesign	84.010A	28-20-RD19-7R	67,690
Total Title I			<u>251,199</u>
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER Formula)	84.425D	28-20-ESRF-7R	60,201
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER Incentive)	84.425D	28-20-ESRI-7R	6,000
COVID-19 - Governor's Emergency Education Relief (GEER)	84.425C	28-20-GERF-7R	34,366
Total COVID-19 - Education Stabilization Fund			<u>100,567</u>
Special Education Cluster (IDEA):			
Special Education - IDEA Part B 611	84.027A	28-21-B1-7R	131,523
Total Special Education Cluster (IDEA)			<u>131,523</u>
Charter School Program	84.282A	28-18-CSSP-7D:	240,000
Striving Readers Comprehensive Literacy (SRCL)	84.371C	28-18-CS13-7D	48,758
Title II, Part A, Teacher and Principal Training and Recruiting	84.367A	28-18-SR04-6V	25,195
Total Louisiana Department of Education		28-21-50-7R	<u>797,242</u>
Passed through YouthForce NOLA			
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048A	N/A	15,293
Total YouthForce NOLA			<u>15,293</u>
Passed through NOLA Public Schools			
McKinney-Vento Education for Homeless Children and Youth Program	84.196A	N/A	10,995
Total NOLA Public Schools			<u>10,995</u>
Total U.S. Department of Education			<u>823,530</u>
Total Federal Assistance Expended			<u>\$ 823,530</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Educators for Quality Alternatives, Inc. (the School) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 1 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**(3) Relationship to Basic Financial Statements**

Federal awards are included in federal grants revenue in the Statement of Activities.

**(4) Amounts Passed Through to Subrecipients**

The School did not pass through any federal funding to subrecipients.

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section I – Summary of Independent Auditors’ Results**

*Financial Statements*

Type of auditor’s report issued:	<u>unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified:	<u>yes</u>
• Significant deficiency(ies) identified:	<u>yes</u>
Noncompliance material to the financial statements noted:	<u>no</u>

*Federal Awards*

Internal control over major program:	
• Material weakness(es) identified:	<u>no</u>
• Significant deficiency(ies) identified:	<u>yes</u>
Type of auditor's report issued on compliance for major program:	<u>unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	<u>yes</u>
Identification of major program:	
Title 1	84.010A
Charter School Program	84.282A
Dollar threshold used to distinguish between type A and type B programs	<u>\$750,000</u>
Auditee qualified as a low risk auditee:	<u>no</u>

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Findings relating to the financial statements reported in accordance with Government Auditing Standards**

**2021 – 001 Internal Controls over Financial Reporting**

Criteria: Educators for Quality Alternatives should have systems of internal accounting control which ensures the financial statements are presented in accordance with U.S. generally accepted accounting principles.

Condition: Educators for Quality Alternatives had difficulty producing several reports and schedules needed to prepare the financial statements in accordance with U.S. generally accepted accounting principles. During the audit, we received multiple incorrect versions of the trial balance and the auditor proposed significant adjusting journal entries to properly record revenue.

Cause: Educators for Quality Alternatives does not have adequate controls in place to ensure the financial statements are presented in accordance with U.S. generally accepted accounting principles.

Effect: The auditor proposed significant adjusting journal entries to properly record revenue. There were delays in receiving reports and schedules needed to complete audit procedures.

Recommendation: Educators for Quality Alternatives should perform procedures to reconcile balance sheet accounts at year end and perform a detailed review of the sub-ledger to verify adjustments are not needed. The reconciliations should clearly document how the supporting documentation reconciles to the trial balance and general ledger.

Views of Responsible Official:

*EQA prepared all reports and schedules as quickly and accurately as possible. The schedule flagged for additional communication and clarification was regarding revenue recognition for grants with donor restrictions. EQA worked with a third party finance and accounting firm to prepare the initial schedule as a secondary level of review. The issue in question was for grants where cash is received prior to the end of a grant period and where the grant period crosses fiscal years. The engaged third party firm's interpretation of the applicable accounting standard (ASU 2018-08) is; since a portion of the grant fell to the following fiscal year, a portion of that grant is deferred revenue as of year-end. P&N notified EQA that the grants in question were not considered deferred revenue due to the non-restrictive nature of the agreement.*

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Findings relating to the financial statements reported in accordance with Government Auditing Standards** (continued)

**2021 – 001 Internal Controls over Financial Reporting** (continued)

*Views of Responsible Official (continued):*

*EQA is now aware of P&N's interpretation of ASU 2018-08 and going forward will review the applicable grant instruments in light of the firm's viewpoint.*

*EQA's Financial Controller will review grant agreements as they are received and determine how the revenue should be booked. Additionally, EQA will consult P&N during the year when questions arise regarding whether a portion of the grant should be considered deferred revenue. Finally, EQA will conduct a detailed revenue review at year-end to ensure all grants and receivables have been recorded properly. Documentation will also be compiled for audit reports and schedules to prevent delays and ensure a timely completion of the audit.*

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Findings relating to the financial statements reported in accordance with Government Auditing Standards** (continued)

**2021 – 002 Timesheet Approval**

Criteria: Effective internal control over the personnel information and payroll process provides reasonable assurance of the completeness and accuracy of accounting records.

Timesheets should be reviewed and approved by an authorized individual. Review and approval should be made by the immediate supervisor most knowledgeable of the time worked.

Condition: During our testing of payroll controls, we found four instances of unsigned and unapproved time sheets out of a population of twenty-five.

Cause: Educators for Quality Alternatives does not have adequate processes and controls in place to ensure that timesheets are reviewed and approved before payroll is processed.

Effect: The lack of proper oversight can lead to the risk of inaccurate payroll time reporting and risk of discrepancies not being detected or resolved in a timely manner.

Recommendation: We recommend that Educators for Quality Alternatives implement procedures to ensure timesheets be approved and financial personnel perform independent checks to ensure that all timesheets were approved before payroll processing.

Views of Responsible Official:

*To ensure that all timesheets are reviewed and approved in a timely manner by an authorized individual, EQA will institute the following additional processes:*

*In addition to reminding managers to approve timesheets when payroll is due, The Director of HR and Talent Management will audit timesheets prior to payroll being run to ensure that they are completed and accurate. Should any timesheets not be approved, the Director of HR and Talent Management will follow up directly with the manager and cc the CEO and Financial Controller with a message to ensure that the timesheet is reviewed and approved. In addition, all timesheets will be reviewed after each payroll run to ensure all timesheets were approved. If discrepancies are found, they will be corrected and rectified on the next payroll run if necessary. In the event that the direct manager is unable to approve the timesheets, the CEO may act on their behalf.*

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section III – Findings and Questioned Costs Related to Federal Awards**

**2021 – 003 Internal Controls over Preparation of the Schedule of Federal Expenditures of Federal Awards (SEFA)**

Questioned Costs: None.

Criteria: Title 1 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires the preparation of a Schedule of Expenditures of Federal Awards (the Schedule) that contains all federal grants and expenditures incurred toward those grants in any one period. The Schedule is to be prepared from accounting and grant records of the grantee.

Condition: The Schedule that was provided required significant audit adjustments.

Cause: Educators for Quality Alternatives does not have adequate controls in place to ensure preparation of the Schedule in compliance with the Uniform Guidance.

Effect: Without adequate internal controls over preparation of the Schedule, Educators for Quality Alternatives' auditor could fail to identify all federal awards subject to audit.

Recommendation: Educators for Quality Alternatives should provide training to accounting personnel to ensure adequate preparation of the Schedule.

Views of Responsible Official:

*This was EQA's first year undergoing a Single Audit and thus the first time preparing the SEFA. EQA inadvertently included a grant that is funded at the state level instead of the federal level and left two federal grants - Perkins and McKinney Vento which together make up 3% of our overall federal funding - off of the initial schedule submission. This occurred because both Perkins and McKinney Vento funding flow to EQA through local consortiums (Youthforce and NOLA-PS respectively) and thus were not immediately thought of as federal funding when the schedule was first prepared.*

*EQA has adjusted its chart of accounts in Quickbooks allowing the Financial Controller and Accountant to easily identify and review all federal funding streams. Documentation for the proper preparation of the SEFA will also be compiled to ensure fiscal year 2022's SEFA is prepared correctly. Lastly, EQA will add an additional level of controls by having the Accountant prepare the preliminary SEFA and the Financial Controller review and submit to the auditors.*

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section III – Findings and Questioned Costs Related to Major Federal Awards** (continued)

**2021 – 004 Special Tests and Provisions**

**U.S. Department of Education**  
***Passed through the Louisiana Department of Education***  
**84.010 Title I Basic Grant**  
**2020-2021 Award Year**  
**Grant No. S010A200018**

Questioned Costs:       None.

Criteria:                   Educators for Quality Alternatives must report graduation rate data for all public high schools at the school level using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. Educators for Quality Alternatives is responsible for assigning exit codes to any student who leaves. Only specific exit codes are deemed legitimate reasons for leaving and will cause the leaver to not be included in the cohort's graduation index calculations. These codes relate to death, transfers out of the state or country, transfers to non-public schools, transfers to home study/in-school private schooling, and transfers to Early College Admissions Programs.

Specific documentation must be maintained for students to be considered legitimate leavers from the cohort. Educators for Quality Alternatives is also responsible for developing a system of internal controls to ensure the proper documentation is retained for all leavers of the cohort.

Universe/  
Population Size:       The sample of cohort removals was selected from a universe that includes all students that left the school due to transferring to a diploma awarding school or program, death, or emigration to another country. Based on these requirements, the total universe is 102 students who are considered leavers of the cohort. This is also considered the population size.

Sample Size:           Based on sampling guidance for audits performed under the Uniform Guidance, a non-statistical sample of 11 leavers was selected for testing.



**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section III – Findings and Questioned Costs Related to Major Federal Awards** (continued)

**2021 – 004 Special Tests and Provisions** (continued)

**U.S. Department of Education**  
***Passed through the Louisiana Department of Education***  
**84.010 Title I Basic Grant**  
**2020-2021 Award Year**  
**Grant No. S010A200018**

Condition: In testing internal controls and compliance with respect to 34 CFR §200.19(b), 3 of 11 leavers had exceptions to the required documentation set forth by the Louisiana Administrative Code Title 28, Part LXXXIII, Chapter 6, §611. This rate of exception indicates that Educators for Quality Alternatives does not have adequate internal control procedures in place to ensure that all documentation is maintained contemporaneously with the removal of the student to support the removal from a cohort.

Cause: Educators for Quality Alternatives has relied on the individual schools to acquire and retain all documentation related to the removal of students. At the program level, a centralized control and periodic review did not exist to ensure documentation is adequately maintained contemporaneously with the removal of the students from the cohort.

Effect: Without proper internal controls over the graduation rate cohort reporting process, documentation may not be properly retained, and therefore Educators for Quality Alternatives may be noncompliant with the requirements of the Title I program.

Recommendation: Educators for Quality Alternatives should establish procedures at the school and program administration levels to ensure appropriate documentation is obtained related to removal of students from a cohort in accordance with Louisiana Administrative Code Title 28, Part LXXXIII, Chapter 6, §611.

*Views of Responsible Official:*

*P&N identified three students as not having exit documentation on file. One of these students had passed away and the student's obituary was shared with P&N. The other two students had withdrawn to transfer out of state, but we never received paperwork from their new schools. Upon consultation with the Louisiana Department of Education, EQA has now been instructed that in situations such as these, EQA is to re-code the students as dropouts. EQA has now made this adjustment.*

*Currently EQA reviews student exit documentation at the time of exit and during the LDOE dropout corrections periods. EQA will add an additional layer of review through quarterly internal audits.*

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Findings relating to the financial statements reported in accordance with *Government Auditing Standards***

None

**Section III – Findings and Questioned Costs Related to Federal Awards**

None

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

**Independent Accountants' Report**  
**On Applying Agreed-Upon Procedures**

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

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of Educators for Quality Alternatives, Inc. (EQA) for the fiscal year ended June 30, 2021; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of the EQA is responsible for its performance and statistical data.

EQA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:
  - Total General Fund Instructional Expenditures,
  - Total General Fund Equipment Expenditures,
  - Total Local Taxation Revenue (no revenue reported),
  - Total Local Earnings on Investment in Real Property (no revenue reported),
  - Total State Revenue in Lieu of Taxes (no revenue reported),
  - Nonpublic Textbook Revenue (no revenue reported), and
  - Nonpublic Transportation Revenue (no revenue reported).

***We noted no exceptions.***

*Class Size Characteristics (Schedule 2)*

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1, 2020 roll books and observed that the class was properly classified on the schedule.

***We noted no exceptions.***



Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1, 2020 PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

***We noted thirteen exceptions where an individual's education level or years of experience was not classified correctly on the PEP data when compared to the individual's personnel file.***

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30, 2020 PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

***We noted no exceptions.***

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

We are required to be independent of EQA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Educators for Quality Alternatives, Inc., as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 29, 2022

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2021

	Column A	Column B
<b><u>General Fund Instructional and Equipment Expenditures</u></b>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom teacher salaries	\$ 1,684,964	
Other instructional staff activities	-	
Instructional staff employee benefits	438,394	
Purchased professional and technical services	177,464	
Instructional materials and supplies	108,077	
Instructional equipment	30,654	
Total teacher and student interaction activities		\$ <u>2,439,553</u>
Other instructional activities		<u>126,826</u>
Pupil support services	723,013	
Less: Equipment for pupil support services	-	
Net pupil services	<u>723,013</u>	<u>723,013</u>
Instructional staff services	259,898	
Less: Equipment for Instructional staff services	-	
Net Instructional staff services	<u>259,898</u>	<u>259,898</u>
School administration	1,835,530	
Less: Equipment for School administration	<u>(33,432)</u>	
Net School administration		<u>1,802,098</u>
Total General Fund Instructional Expenditures		\$ <u><u>5,351,388</u></u>
Total General Fund Equipment Expenditures		\$ <u><u>64,085</u></u>

Prepared by Educators for Quality Alternatives, Inc.

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

**EDUCATORS FOR QUALITY ALTERNATIVES, INC.**

Class Size Characteristics  
as of October 1, 2020

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	0%	-	0%	-	0%	-	0%	-
Elementary Activity Class	0%	-	0%	-	0%	-	0%	-
Middle High	0%	-	0%	-	0%	-	0%	-
Middle High Activity Class	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Class	82%	157	10%	19	5%	9	3%	5
Combination	94%	15	6%	1	0%	-	0%	-
Combination Activity Class	0%	-	0%	-	0%	-	0%	-

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

**Prepared by Educators for Quality Alternatives, Inc.**

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





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*A Professional Accounting Corporation*

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

In planning and performing our audit of the financial statements of Educators for Quality Alternatives, Inc. (“the School”) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the School’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identified certain matters that are opportunities for strengthening internal controls or operating efficiency, that are presented for your consideration. This letter does not affect our report dated March 29, 2022 on the financial statements of the School. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

**2021-1                      Documentation of Process Reviews**

Condition:                      The School’s management has communicated to us that there are controls in place for the review of certain federal program reports. We corroborated that the controls were in place during our audit procedures. However, we noted that these reviews are not evidenced by the signing or initialing the documents or utilizing any form of documentation of review.

Recommendation:                      We recommend that the review of federal program reports be evidenced on the documents themselves or the use of an end of month/quarter checklist indicating the date of the review and the person that performed the review.

Management’s Response:                      We concur with the recommendation and will implement procedures to confirm the review process is being followed.

We believe that the implementation of these recommendations will provide the School with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 29, 2022