FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA

Annual Financial Statements

June 30, 2020

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Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

Report on the Financial Statements
We have audited the accompanying financial statements of French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization), which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 7, the Organization has recognized its Paycheck Protection Program (PPP) loan as revenue labeled Federal Refundable Advance during the year ended June 30, 2020. To the extent that all or part of the Organization's PPP Loan is not forgiven, revenue reversal and changes to loan covenant calculations may occur. Our opinion is not modified with respect to this matter.

Other Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of board of directors and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Schedules 1 and 2 are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the independent accountant's report on applying agreed-upon procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 16, 2020, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation
Covington, LA
December 16, 2020

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2020

Assets	
Current Assets	
Cash	$ 2,667,916
Restricted Cash	425,160
Grants Receivable	853,450
Interest Receivable	4,049
Prepaid Expenses	43,818
Total Current Assets	3,994,393
Other Assets	
Investments	978,822
Total Other Assets	978,822
Fixed Assets	
Building and Building Improvements	3,218,482
Computers	543,158
Improvements	889,872
Accumulated Depreciation	(842,416)
Total Fixed Assets, Net	3,809,096
Total Assets	$ 8,782,311
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$ 5,647
Accrued Expenses	489,819
Deferred Revenue	70,140
Total Current Liabilities	565,606
Long-Term Liabilities	
Construction Line of Credit	2,119,756
Total Long-Term Liabilities	2,119,756
Total Liabilities	2,685,362
Net Assets	
Without Donor Restrictions	6,096,949
Total Net Assets	6,096,949
Total Liabilities and Net Assets	$ 8,782,311

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

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restricted	Total
Revenue, Grants, Support, and Gains			
State and Local Public School Funding	$ 10,279,975	$ -	$ 10,279,975
Federal Refundable Advance	2,070,500	-	2,070,500
Federal Grants	1,050,783	-	1,050,783
Student Activity Revenue	423,481	-	423,481
State Historic Tax Credit Incentives	357,983	-	357,983
Grants and Contributions, Net	337,434	-	337,434
Fee Revenue	249,866	-	249,866
Other State Funding	48,427	-	48,427
Net Realized and Unrealized Gain on Investments	36,360	-	36,360
Other Income	34,785	-	34,785
Interest Income	30,297	-	30,297
Income from Meals	6,049	-	6,049
Net Assets Released from Restrictions	341,902	(341,902)	-
Total Revenue, Grants, Support, and Gains	15,267,842	(341,902)	14,925,940
Expenses			
Program Services			
Student Instruction and Activities	12,221,947	-	12,221,947
Supporting Services			
Management and General	1,221,119	-	1,221,119
Total Expenses	13,443,066	-	13,443,066
Change in Net Assets	1,824,776	(341,902)	1,482,874
Net Assets, Beginning of Year	4,272,173	341,902	4,614,075
Net Assets, End of Year	$ 6,096,949	$ -	$ 6,096,949

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

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services	Supporting Services	
	Student Instruction and Activities	Management and General	Total
Salaries	$ 7,520,301	$ 516,326	$ 8,036,627
Benefits	2,172,668	181,651	2,354,319
Purchased Services	712,135	448,642	1,160,777
Repairs and Maintenance	313,238	6,707	319,945
Food Service	269,637	-	269,637
Materials	218,119	25,890	244,009
Insurance	211,850	3,944	215,794
Utilities	193,759	3,773	197,532
Depreciation	181,886	-	181,886
Student Transportation	162,510	-	162,510
Debt Service	106,709	1,956	108,665
Dues	86,359	838	87,197
Travel	42,948	740	43,688
Rentals	3,774	22,367	26,141
Disposal	21,479	-	21,479
Other Expenses	4,575	8,285	12,860
Total Expenses	$ 12,221,947	$ 1,221,119	$ 13,443,066

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

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in Net Assets	$ 1,482,874
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Net Realized and Unrealized Gain on Investments	(36,360)
Depreciation	181,886
(Increase) Decrease in Assets	
Grants Receivable	46,831
Interest Receivable	864
Prepaid Expenses	(8,074)
Increase (Decrease) in Liabilities	
Accounts Payable	(87,775)
Accrued Expenses	(193,600)
Deferred Revenue	(31,897)
Total Adjustments	(128,125)
Net Cash Provided by Operating Activities	1,354,749
Cash Flows from Investing Activities	
Sale of Investments	(21,383)
Purchases of Fixed Assets	(405,184)
Net Cash Used in Investing Activities	(426,567)
Cash Flows from Financing Activities	
Payments on Line of Credit	(255,000)
Proceeds from Construction Line of Credit	2,119,756
Net Cash Provided by Financing Activities	1,864,756
Net Increase in Cash and Restricted Cash	2,792,938
Cash and Restricted Cash, Beginning of Year	300,138
Cash and Restricted Cash, End of Year	$ 3,093,076
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year for Interest	$ 109,281

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

Note 1. Summary of Significant Accounting Policies

Organization

French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. The Organization operates two Type 3 charter schools with the Orleans Parish School Board (OPSB). The formation of the Organization was in response to the devastation left by Hurricane Katrina.

On January 12, 2006, the OPSB approved the charter of Audubon Charter School, d/b/a Audubon Uptown. The initial charter was granted for five years and was subsequently renewed for another five-year term during 2011. On May 20, 2017, the Organization entered into a ten (10) year charter school operating agreement for Audubon Charter School with the OPSB commencing July 1, 2017 and expiring June 30, 2027. Under this new agreement, Audubon Charter School will operate as its own Local Education Authority (LEA). This school serves eligible students in pre-kindergarten through eighth grade. The Organization entered into two leases with the OPSB to operate Audubon Charter School, both of which expire on June 30, 2021.

On April 21, 2018, the OPSB approved the charter of Audubon Schools Gentilly, d/b/a Audubon Gentilly. The initial charter was granted for five years expiring June 30, 2023. Under this charter agreement, Audubon Schools Gentilly will operate as its own LEA. This school serves eligible students in pre-kindergarten through eighth grade.

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

Basis of Net Asset Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. 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 and changes in net assets as net assets released from restrictions.

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 Organization are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Revenues

State Public School Funding

The Organization's primary source of funding is through the State Public School Fund and the Orleans Parish School Board. The Organization received $10,279,975 from the State and OPSB based on eligible students in attendance paid on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Federal and State Grants

Federal and state grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred. The Organization received $1,050,783 in various federal grants and $48,427 in various state grants during the year. Substantially all of the Organization's federal and state grants were passed through the Louisiana Department of Education.

Federal Refundable Advance from Paycheck Protection Program (PPP) Loan

The Organization has accounted for its PPP Loan transaction in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, which indicates income is recognized when it is considered that there is reasonable assurance the grant will be received and all necessary qualifying conditions, as stated in the PPP Loan, are met. The Organization has elected to account for and recognize 100% of the use of this PPP Loan on a gross basis within the statement of changes in net assets, which totaled $2,070,500 during the year.

Private Grants and Contributions

Private grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (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 and changes in net assets as net assets released from restrictions.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

Private Grants and Contributions (Continued)

Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

Other Income

Revenue from other sources, including student activities and fees, fundraisers, facility rentals, and after-care tuition, are recorded and recognized as revenue in the period in which the Organization provides the service at the amount that reflects the consideration to which the Organization expects to be entitled for providing the service or good.

Contracts vs. Contributions

The Organization utilizes the guidance in Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service, which is deemed to be the school year, which is simultaneous with the fiscal year. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to student activities and fees, after-care tuition, and pre-kindergarten tuition. The Organization measures the performance obligation throughout the school year. Revenue for performance obligations satisfied at a point in time, which include mainly income from meals and are generally immaterial, are recognized when services are provided. The Organization determines the transaction price based on standard charges for goods or services provided to students, which are predetermined by management. Fees are generally nonrefundable, and total refunds issued annually are considered negligible.

State Historic Tax Credit Incentives

The Organization accounts for tax credit incentives in the year in which they are approved. The Organization had previously submitted an application for historic tax credit incentives as part of the rehabilitation of its Gentilly campus. The Organization received $357,983 in historic rehabilitation tax incentives from the State of Louisiana during the year.

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by 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 allocated by direct identification and then allocated if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or on the basis of student count. There were no such allocated expenses during the year ended June 30, 2020.

Grants and Contributions Receivable

Private grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. 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.

The Organization uses the allowance method to determine uncollectible promises to give. Management does not estimate any amounts to be uncollectible. Grants and contributions receivable due in more than one year are recognized at fair value. The Organization uses a discount rate based on the U.S. treasury bill rate to discount long-term promises to give when the donor makes an unconditional promise to give to the Organization. As of June 30, 2020, there were no discounted long-term promises to give.

Cash

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Organization’s bank accounts from donations received from individuals or entities who specified the use of the contribution, amounts restricted by a contractual lease obligation, and escrow balances funded for a construction line of credit.

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2020, the Organization had no cash equivalents.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments

The Organization follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020:

1. *Common Stocks*. Valued at the closing price reported on the active market on which the individual securities are traded.
2. *Self-Directed Brokerage Accounts.* Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

3. *Corporate Bonds.* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
4. *Mutual Funds*. Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
5. *Stable Value Collective Trust Fund*. A stable value fund that is composed primarily of fully benefit-responsive investment contracts that is valued at the net asset value of units of the bank collective trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the Organization initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months notification in order to ensure that securities liquidations will be carried out in an orderly business manner.
6. *U.S. Government Securities*. Valued using pricing models maximizing the use of observable inputs for similar securities.

The table in Note 9 sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2020. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the Organization’s investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest. Dividend and interest income are accrued when earned.

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Organization. Depreciation expense for the year ended June 30, 2020 was $181,886.

Income Taxes

The Organization is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, are included in income tax expense.

The Organization 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% likelihood of being sustained upon examination by the taxing authorities. The Organization 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.

Concentrations

For the year ended June 30, 2020, the Organization received 69% of its revenues from the Louisiana Department of Education, subject to its charter school contracts with the Orleans Parish School Board, 14% from PPP Loan proceeds, and 7% of its funding from the federal government and other Louisiana state grant programs passed through the Louisiana Department of Education.

All of the students and employees of the Organization live in the Greater New Orleans area.

Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2020, the Organization's bank balances were $3,016,285. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to $250,000 per financial institution, totaled $546,497. Deposits of $2,469,788 were uninsured and subject to custodial credit risk as of June 30, 2020. In addition, $21,384 was in a money market fund comprised of governmental securities which, therefore, is not subject to custodial credit risk at June 30, 2020.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agencies are to be used for educational purposes as described in the Organization's charter agreement and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Recent Accounting Pronouncements - Adopted

FASB ASC Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all generally accepted accounting principles (GAAP) revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. The Organization implemented ASU 2016-18 and has adjusted the presentation in the accompanying financial statements accordingly. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the statement of cash flows for the year ended June 30, 2020. The ASU has been applied retrospectively to all periods presented. Implementation did not result in a change in net assets.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash	$ 2,667,916
Restricted Cash	425,160
Total Cash and Restricted Cash	$ 3,093,076

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Topic supersedes Topic 840, *Leases*. The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. Topic 842 affects any entity that enters into a lease, as defined in the Update, with some scope exemptions. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The effective date for the Organization is the year beginning July 1, 2022. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Liquidity and Availability

The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Organization has available. In addition, the Organization operates with a budget to monitor sources and use of funds throughout the year.

Note 1. Summary of Significant Accounting Policies (Continued)

Liquidity and Availability (Continued)
Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	$ 2,667,916
Grants Receivable	853,450
Interest Receivable	4,049
Total	$ 3,525,415

Note 2. Cash and Restricted Cash

The Organization's cash and restricted cash (book balances) at June 30, 2020 totaled $3,093,076, which is stated at cost and approximates market.

Note 3. Investments

Investments consisted of the following as of June 30, 2020:

	Fair Market Value	Cost or Assigned Amount
U.S. Treasury Bonds	$ 390,885	$ 367,649
Corporate Bonds	231,895	216,088
Mortgage Pass-Through Securities	109,822	105,374
Mutual Funds	246,220	240,137
Total	$ 978,822	$ 929,248

Note 4. Grants Receivable

As of June 30, 2020, gross grants receivable totaled $853,450, which include receivables for Minimum Foundation Program (MFP) payments, private grants and contributions receivable, and receivables for federal grants and state grants passed through the Louisiana Department of Education. All receivables are considered to be fully collectible.

Note 5. Accrued Expenses

Accrued expenses consisted of the following as of June 30, 2020:

Payroll Deductions and Withholdings	$ 7,682
Accrued Payroll	482,137
Total	$ 489,819

Note 6. Deferred Revenue

As of June 30, 2020, deferred revenue consisted of $70,140 of consumables fees collected for the 2020-2021 school year and $-0- in tuition fees.

The following table provides information about changes in the deferred revenue related to consumable and tuition fees for the year ended June 30, 2020:

Deferred Consumable Fees	$ 66,337
Deferred Tuition Fees	35,700
Total Deferred Revenue, Beginning of Year	102,037
Revenue Recognized that was Included in Deferred Revenue at the Beginning of the Year	(204,732)
Increase in Deferred Revenue Due to Cash Received During the Year	172,835
Total Deferred Revenue, End of Year	$ 70,140
Deferred Consumable Fees	$ 70,140
Deferred Tuition Fees	-
Total Deferred Revenue, End of Year	$ 70,140

Note 7. Debt

Line of Credit

During September 2018, the Organization entered into a line of credit with a bank allowing for borrowings up to $300,000 with a maturity date of September 18, 2023. Interest accrues at the Wall Street Journal Prime Rate. During 2019, the balance on this line of credit was transferred to a term loan (see paragraph below). The outstanding balance on the line of credit was $-0- as of June 30, 2020.

Construction Line of Credit

During July 2019, the Organization entered into a construction line of credit and term loan agreement with a bank. The agreement provides for a non-revolving line of credit loan up to $4,800,000, subject to construction project cost limits. The non-revolving line of credit loan incurs a variable interest rate and matures on July 26, 2021. Upon maturity, the non-revolving line of credit loan will convert to a term loan, which will be payable in monthly installments beginning August 26, 2021, incur an interest rate of 5.25%, and mature on July 26, 2029. The outstanding balance on the loan was $2,119,756 as of June 30, 2020.

The agreement is subject to various covenants and is collateralized by a mortgage. For the year ended June 30, 2020, the Organization reported to its financial institution that it was in compliance with these covenants.

The agreement required the funding of an escrow account held with the bank. The escrow balance is held by a local title and insurance company and is payable to the Organization upon receipt of a cancellation certificate. The escrow balance totaled $179,000 as of June 30, 2020 and is reported as restricted cash on the statement of financial position.

Paycheck Protection Program (PPP) Loan

On April 16, 2020, the Organization entered into a U.S. Small Business Association (SBA) Payroll Protection Program Loan with Liberty Bank in the amount of $2,070,500, at an interest rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and, commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

As discussed in Note 1, the Organization has recognized $2,070,500 (100%) of its PPP Loan as federal refundable advance income for the year ended June 30, 2020.

Note 8. Retirement Plans

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

Plan Description
The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123. At June 30, 2019, the TRSL was 67.1% funded.

Funding Policy
Plan members are required to contribute 8% of their annual covered salary. The Organization is required to contribute at an actuarially determined rate. During the year ended June 30, 2020, the employer contribution rate was 26.0%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The Organization's contribution to the plan for the year ended June 30, 2020 was $1,490,731.

403(b) Plan
During January 2018, the Organization established a 403(b) plan which went into effect on August 1, 2018. Certain employees of the Organization participate in this 403(b) plan sponsored by the Organization. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. The 403(b) plan offers a discretionary match which is determined annually by the Organization. The 403(b) plan also offers a discretionary employer contribution, which is determined annually by the Organization. Eligible employees become fully vested in their allocated discretionary matching and employer contributions after four years of service with the Organization. The Organization's contribution to the plan for the year ended June 30, 2020 was $39,405.

Note 9. Fair Value of Financial Instruments

The Organization's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of the Organization's accounting policies and valuation procedures.

Note 9. Fair Value of Financial Instruments (Continued)

The valuation of the Organization's assets measured at fair value on a recurring basis at June 30, 2020 was as follows:

	Level 1	Level 2	Level 3	Fair Value Total
Investments				
U.S. Treasury Bonds	$ 390,885	$ -	$ -	$ 390,885
Corporate Bonds	231,895	-	-	231,895
Mortgage Pass-Through Securities	-	109,822	-	109,822
Mutual Funds	246,220	-	-	246,220
Total Investments	$ 869,000	$ 109,822	$ -	$ 978,822

The FASB issued an ASU pertaining to *Fair Value Measurement and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share.

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash.

Listed below are the carrying amounts of financial instruments which approximate fair value at June 30, 2020:

	Carrying Amount	Fair Value
Financial Assets		
Cash and Restricted Cash	$ 3,093,076	$ 3,093,076
Program-Related Receivables	853,450	853,450
Interest Receivable	4,049	4,049
Investments	978,822	978,822
Financial Liabilities		
Accounts Payable	5,647	5,647
Accrued Expenses	489,819	489,819

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by donors for specific programs, purposes, student activities, or to assist specific departments of the Organization. These restrictions are considered to expire when payments for restricted purposes are made. Certain net assets with donor restrictions are time-restricted by donors. As of June 30, 2020, the Organization did not have any net assets with donor restrictions.

Note 11. Commitments and Contingencies

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries and illnesses; natural disasters; and health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2020.

During July 2018, the Organization entered into a lease agreement with the OPSB for the Audubon Schools Gentilly campus facilities. The lease agreement is contingent upon the existence of the charter operating agreement between the Organization and the OPSB for Audubon Schools Gentilly. The lease requires that the Organization develop and maintain a capital fund reserve based on the estimated value of the leased property by June 30, 2021. As of June 30, 2020, the Organization was required to have $246,160 in the capital fund reserve, which is currently included in the Organization’s operating account. The lease expires June 30, 2048.

Note 12. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

Note 12. Risks and Uncertainties (Continued)

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, at this time, the Organization is experiencing moderate disruptions, including conversions to digital learning options, additional costs related to sanitization and technology supplies, and the temporary suspension of after school programs and other events. The Organization's concentrations due to significant state and federal funding make it reasonably possible that the Organization is vulnerable to the risk of a near-term significant impact. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 16, 2020, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Organization for the fiscal year ended June 30, 2020, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514 I. Management of the Organization is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

<u>General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)</u>

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:

   - Total General Fund Instructional Expenditures
   - Total General Fund Equipment Expenditures
   - Total Local Taxation Revenue
   - Total Local Earnings on Investment in Real Property
   - Total State Revenue in Lieu of Taxes
   - Nonpublic Textbook Revenue
   - Nonpublic Transportation Revenue

   Findings: None.

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 1st roll books for those classes and observed that the class was properly classified on the schedule.

   Findings: None.

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

3. We obtained October 1st 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 property classified on the PEP data or equivalent listing prepared by management.

   Findings: For sixteen (16) individuals selected, the years of experience reported on the PEP data did not agree to the information provided in the individuals' personnel files. For three (3) individuals selected, the level of education reported on the PEP data did not agree to the individual's personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th 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).

   Findings: For five (5) individuals selected, the total pay reported did not agree to the individuals' personnel files and payroll records.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Organization, as required by Louisiana Revised Statue 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.

LaPorte

A Professional Accounting Corporation

Covington, LA
December 16, 2020

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

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

Schedule 2 - Class Size Characteristics

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

Schedule 1

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2020

General Fund Instructional and Equipment Expenditures		
General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	$ 2,882,586	
Other Instructional Staff Salaries	940,213	
Instructional Staff Employee Benefits	1,431,775	
Purchased Professional and Technical Services	245,278	
Instructional Materials and Supplies	127,051	
Instructional Equipment	272	
Total Teacher and Student Interaction Activities		$ 5,627,175
Other Instructional Activities		20,485
Pupil Support Services	526,572	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services		526,572
Instructional Staff Services	316,615	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		316,615
School Administration	811,025	
Less: Equipment for School Administration	-	
Net School Administration		811,025
Total General Fund Instructional Expenditures		$ 7,301,872
Total General Fund Equipment Expenditures		$ 272
Certain Local Revenue Sources		
Local Taxation Revenue		
Constitutional Ad Valorem Taxes		$ -
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue		$ -
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property		$ -
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		$ -
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax		$ -
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		$ -
Nonpublic Textbook Revenue		$ -
Nonpublic Transportation Revenue		$ -

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

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2019

		Class Size Range							
		1 - 20		21 - 26		27 - 33		34+	
School Type	LEA	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	WAZ	59%	235	32%	127	9%	38	0%	0
Elementary Activity Classes	WAZ	26%	11	62%	26	12%	5	0%	0
Elementary	WBT	79%	88	0%	0	21%	23	0%	0
Elementary Activity Classes	WBT	60%	6	0%	0	40%	4	0%	0

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

SUPPLEMENTARY INFORMATION

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2020

Board Members	Compensation
Javier Jalice (Board Chair)	$-0-
Brendan Connick (Vice Chair)	$-0-
Dorcas Omojola (Secretary)	$-0-
Calvin Tregre (Treasurer)	$-0-
Thomas Lasher	$-0-
Ramona Fernandez	$-0-
Rachel Van Vorhees Kirschman	$-0-
Melissa Russell	$-0-
Lourdes Moran	$-0-
Claire Lebas	$-0-
CiCi Lawson	$-0-

See independent auditor’s report.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2020

Agency Head
Latoye Brown, CEO

Purpose	Amount
Salary	$116,500
Benefits - Insurance	$8,167
Benefits - Retirement	$30,357
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$800
Travel	$0
Registration Fees	$0
Conference Travel	$267
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

See independent auditor’s report.

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

Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

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 French and Montessori Education, Inc., d/b/a Audubon Schools (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization'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*.

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

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

LaPorte

A Professional Accounting Corporation

Covington, LA
December 16, 2020

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

Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Schools
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program
We have audited French and Montessori Education, Inc., d/b/a Audubon Schools' (the Organization), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 Organization's compliance.

Opinion on Major Federal Programs
In our opinion, the Organization 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, 2020.

Report on Internal Control Over Compliance
Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

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

LaPorte

A Professional Accounting Corporation

Covington, LA
December 16, 2020

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON SCHOOLS
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
United States Department Agriculture			
Passed through the Louisiana Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553	Unknown	$ 19,869
National School Lunch Program	10.555	Unknown	129,540
Total Child Nutrition Cluster			149,409
Child and Adult Care Food Program	10.558	Unknown	23,464
Summer Food Service Program	10.559	Unknown	2,934
Total United States Department of Agriculture			175,807
United States Department of Education			
Passed through the Louisiana Department of Education			
Title I Grants to Local Education Agencies (LEAs)	84.010A*	28-20-T1-WZ, 28-20-T1-WY	395,941
Special Education - Grants to States (IDEA, Part B)	84.027A	28-20-B1-WZ, 28-20-B1-WY	223,898
Title II Supporting Effective Instruction State Grants	84.367A	28-20-50-WZ, 28-20-50-WY	40,793
Total United States Department of Education			660,632
United States Department of Health and Human Services			
Passed through the Louisiana Department of Education			
Temporary Assistance for Needy Families (TANF)	93.558B	28-20-36-WZ, 28-20-36-WY	214,344
Total United States Department of Health and Human Services			214,344
Total Expenditures of Federal Awards			$ 1,050,783

* Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2. Indirect Cost Rate

The Organization did not include any expenditures related to indirect cost rate calculations nor any 10% de minimis cost rate calculations in its schedule of expenditures of federal awards as there were no indirect cost rates utilized as part of the federal grant activity.

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

4) Internal control over major programs	
a) Material weaknesses identified?	No
b) Significant deficiencies identified not considered to be material weaknesses?	None reported
5) Type of auditor's report issued on compliance for major programs	Unmodified
6) Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7) Identification of major programs	
84.010A - Title I Grants to Local Education Agencies	
8) Dollar threshold used to distinguish between Type A and B programs	$750,000
9) Auditee qualified as a low-risk auditee under Uniform Guidance	Yes

Section II. Internal Control Over Financial Reporting

None.

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

None.

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.