



BBR SCHOOLS, INC.
CONSOLIDATED FINANCIAL REPORT
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BBR Schools, Inc.
Baton Rouge, LA

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BBR Schools, Inc. and its subsidiaries, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of BBR Schools, Inc. and its subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (as listing in the table of contents) is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of BBR Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 BBR Schools, Inc.'s internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.
November 29, 2021

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

BBR SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 4,963,091	\$ 2,033,205
Accounts Receivable:		
Parish School Board	716,268	470,592
Other	48,663	64,684
Prepaid Expenses	58,426	28,528
<i>Total Current Assets</i>	5,786,448	2,597,009
 <i>Property and Equipment, net</i>	 24,935,410	 15,408,226
 TOTAL ASSETS	 \$ 30,721,858	 \$ 18,005,235
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	\$ 2,288,489	\$ 477,155
Payable to Related Entity BCSI	5,645	9,808
Deferred Revenue	8,947	1,479
<i>Total Current Liabilities</i>	2,303,081	488,442
 <i>Long-term Liabilities:</i>		
Note Payable	7,493,583	-
Lease Liability	16,693,978	16,516,502
<i>Total Long-term Liabilities</i>	24,187,561	16,516,502
<i>Total Liabilities</i>	26,490,642	17,004,944
 <i>Net Assets:</i>		
Without Donor Restrictions	3,995,646	811,887
With Donor Restrictions	235,570	188,404
<i>Total Net Assets</i>	4,231,216	1,000,291
 TOTAL LIABILITIES AND NET ASSETS	 \$ 30,721,858	 \$ 18,005,235

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

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,912,723	\$ 222,377	\$ 2,135,100
Contributions In-kind	539,788	-	539,788
Parish School Board Allotment	8,032,011	-	8,032,011
Federal Revenues	-	133,694	133,694
Other Revenues	128,666	-	128,666
	<u>10,613,188</u>	<u>356,071</u>	<u>10,969,259</u>
Net Assets Released from Restrictions	308,905	(308,905)	-
TOTAL REVENUE	<u>10,922,093</u>	<u>47,166</u>	<u>10,969,259</u>
EXPENSES			
Educational Program	6,079,865	-	6,079,865
General and Administrative	1,617,736	-	1,617,736
Fundraising	40,733	-	40,733
TOTAL EXPENSES	<u>7,738,334</u>	<u>-</u>	<u>7,738,334</u>
CHANGE IN NET ASSETS	3,183,759	47,166	3,230,925
BEGINNING NET ASSETS	<u>811,887</u>	<u>188,404</u>	<u>1,000,291</u>
ENDING NET ASSETS	<u>\$ 3,995,646</u>	<u>\$ 235,570</u>	<u>\$ 4,231,216</u>

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

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

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
Contributions	\$ 53,542	\$ 192,723	\$ 246,265
Parish School Board Allotment	6,005,954	-	6,005,954
Federal Grant Revenues	-	63,253	63,253
Other Revenues	293,178	-	293,178
	<u>6,352,674</u>	<u>255,976</u>	<u>6,608,650</u>
Net Assets Released from Restrictions	193,839	(193,839)	-
TOTAL REVENUE	<u>6,546,513</u>	<u>62,137</u>	<u>6,608,650</u>
EXPENSES			
Educational Program	5,124,890	-	5,124,890
General and Administrative	1,171,435	-	1,171,435
Fundraising	24,598	-	24,598
TOTAL EXPENSES	<u>6,320,923</u>	<u>-</u>	<u>6,320,923</u>
CHANGE IN NET ASSETS	225,590	62,137	287,727
NET ASSETS - BEGINNING OF YEAR	<u>586,297</u>	<u>126,267</u>	<u>712,564</u>
NET ASSETS - END OF YEAR	<u>\$ 811,887</u>	<u>\$ 188,404</u>	<u>\$ 1,000,291</u>

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

BBR SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

EXPENSES	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Leased Personnel	\$ 3,295,249	\$ 411,507	\$ 31,777	\$ 3,738,533
Interest	837,990	359,138	-	1,197,128
Management & School Development Fee	920,416	271,523	-	1,191,939
Utilities	88,842	38,352	-	127,194
Depreciation	423,985	163,483	-	587,468
Purchased Services	31,856	34,077	-	65,933
Building Maintenance	89,698	39,819	-	129,517
School Meal Program	105,510	-	-	105,510
Insurance	66,670	28,573	-	95,243
Other Operating Costs	219,649	271,264	8,956	499,869
TOTAL EXPENSES	<u>\$ 6,079,865</u>	<u>\$ 1,617,736</u>	<u>\$ 40,733</u>	<u>\$ 7,738,334</u>

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

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

EXPENSES	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Leased Personnel	\$ 2,669,965	\$ 382,327	\$ 15,490	\$ 3,067,782
Interest	829,369	355,444	-	1,184,813
Management & School Development Fee	677,847	101,747	-	779,594
Utilities	74,934	31,993	-	106,927
Depreciation	407,094	161,473	-	568,567
Purchased Services	49,337	21,431	-	70,768
Building Maintenance	75,290	32,074	-	107,364
School Meal Program	109,018	-	-	109,018
Insurance	50,604	21,688	-	72,292
Other Operating Costs	181,432	63,258	9,108	253,798
TOTAL EXPENSES	<u>\$ 5,124,890</u>	<u>\$ 1,171,435</u>	<u>\$ 24,598</u>	<u>\$ 6,320,923</u>

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

BBR SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash Received from State and Federal Grantors	\$ 7,920,029	\$ 5,952,803
Cash Received from Others	2,287,255	518,889
Payments to Vendors for Goods and Services	(5,968,675)	(4,225,402)
Payments for Interest	(1,019,652)	(1,019,650)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,218,957	1,226,640
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(7,782,654)	(94,996)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,782,654)	(94,996)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from Notes Payable	7,714,249	-
Debt Issuance Costs Paid	(220,666)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	7,493,583	-
NET INCREASE (DECREASE) IN CASH	2,929,886	1,131,644
BEGINNING CASH AND CASH EQUIVALENTS	2,033,205	901,561
ENDING CASH AND CASH EQUIVALENTS	\$ 4,963,091	\$ 2,033,205

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

BBR SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 3,230,925	\$ 287,727
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	587,468	568,567
In-kind Donations	(539,788)	-
(Increase) Decrease in Current Assets:		
Accounts Receivable:		
Parish School Board	(245,676)	(116,404)
Other	16,021	(22,033)
Prepaid Expenses	(29,898)	(12,550)
Receivable from Related Entity BCSI	184	411,756
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	19,124	(66,873)
Payable to Related Entity BCSI	(4,347)	9,808
Deferred Revenue	7,468	1,479
Interest Accrued on Lease Liability/Note Payable	177,476	165,163
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,218,957	\$ 1,226,640

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

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

BBR Schools, Inc. (BBR) is a Louisiana nonprofit corporation organized February 2016. BBR's single member is BASIS Charter Schools, Inc. (BCSI) (an Arizona based nonprofit corporation). BBR was awarded two Type 1 charter contracts by the East Baton Rouge Parish School Board (EBR) to open two charter schools serving grades kindergarten through twelfth. BBR receives a proportionate share of state and local revenue sources of EBR based on enrollment. The Board of Directors of BBR is appointed by BCSI and has the authority to make decisions, appoint the chief executive officer of the Charter, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter.

In July 2020, Friends of BASIS Louisiana ("Friends"), a separate nonprofit organization, was created to raise funds for the exclusive benefit of BBR. A majority of the board of Friends must be comprised of the board members of BBR and upon closure any remaining funds of Friends will be remitted to BBR. Because of the relationship between BBR and Friends, the financial statements of Friends have been consolidated into the financial statements of BBR.

Basis of Accounting and Presentation

The general-purpose financial statements of BBR were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Without Donor Restriction – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restriction – net assets subject to grantor or donor-imposed stipulations that may be met by BBR actions, passage of time or held in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, BBR considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Capital Assets

Capital assets are defined by BBR as assets with a useful life greater than one year and an individual cost of more than \$300 and all textbooks. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are generally estimated to be 3-to-5 years for furniture and equipment.

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021 AND 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions

BBR reports contributions as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the contribution becomes unconditional. When a restriction expires, net assets with donor restrictions are released and reported in the statement of activities as net assets released from restrictions. Contributions received in the same year that restrictions are fully met are reported in the without donor restriction column.

Parish Funding

The EBR School Board receives state and local revenue sources to which BBR is contractually entitled. The amounts are distributed monthly and generally finalized for the year each June. Any amounts to which BBR is entitled to for a school year but has not yet been remitted are recorded as accounts receivable on the Statement of Financial Position. BBR reports the revenue from EBR as without donor restrictions as the revenue supports BBR's overall mission.

Leases

BBR classifies leases as financing or operating based on the nature of the agreement. This determination is performed at the inception of the lease and not reevaluated unless the contract is modified or lease termination/extension options are exercised that were not expected. Both types of leases result in lease liabilities and right to use assets on the statement of financial position based on discounted cash flows using either the implicit rate in the lease or BBR's incremental borrowing rate. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Finance lease right to use assets are amortized as a component of depreciation expense. Leases may include non-lease components; however, these are accounted for as a single lease component.

Use of Estimates

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

Functional Expense Classification

BBR allocates direct instructional costs and supplies to program activities. Activities related to facilitating governing board functions and maintaining fiscal responsibilities are allocated to general and administrative. Costs benefitting both general and program activities, are allocated based on an estimate of the utilization by each activity and/or the hours spent by the personnel involved.

BBR SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2021 AND 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income Taxes

BBR Schools, Inc. is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The Organization is generally no longer subject to income tax examination by Federal authorities for years prior to June 30, 2018.

Subsequent Events

Subsequent events were considered through November 29, 2021, which is the date the financial statements were available to be issued.

NOTE 2 -- UNCOLLATERALIZED DEPOSITS

BBR's deposits exceeded FDIC insurance by \$4.2 million and \$1.6 million as of June 30, 2021 and 2020, respectively.

NOTE 3 -- CAPITAL ASSETS

Capital assets at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,553,444	\$ -
Construction in Progress	7,470,966	-
Total Not Depreciated	<u>10,024,410</u>	<u>-</u>
Right to Use Asset - Building	16,295,000	16,295,000
Furniture, Equipment & Textbooks	268,171	177,929
Total Being Depreciated	<u>16,563,171</u>	<u>16,472,929</u>
Accumulated Depreciation	<u>(1,652,171)</u>	<u>(1,064,703)</u>
Property and Equipment - Net	<u>\$ 24,935,410</u>	<u>\$ 15,408,226</u>

Capital assets acquired with public funds received by BBR for the operation of the open-enrollment charter school constitute public property. Should the school close for any reason, assets purchased with funds received from the EBR School Board would be returned to the EBR School Board. However, as of June 30, 2021, none of the capital assets have been purchased with public funds. Depreciation expense was \$587,468 and \$568,567 for the years ending June 30, 2021 and 2020, respectively.

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021 AND 2020

NOTE 4 -- LEASES

In 2018, BBR leased a facility from BCSI for a school. The lease agreement provides a schedule of required monthly payments for the entire term through June 30, 2049 with two additional 10-year renewals at BBR's option. Because of the length of the term and significance of the present value compared to the fair value of the building, the lease was classified as a finance lease. The extension options were not included as management is not reasonably certain they will be exercised. BBR has pledged all school revenues to satisfying these lease payments, including EBR School Board payments to the extent permitted by Louisiana Law. Financial lease costs for the year ending June 30, 2021 and 2020, were as follows:

Finance Lease Cost:	<u>2021</u>	<u>2020</u>
Amortization of Right to Use Asset (Included in Depreciation)	\$ 527,062	\$ 527,062
Interest on Lease Liability	<u>1,197,128</u>	<u>1,184,813</u>
Total Finance Lease Cost	<u>\$ 1,724,190</u>	<u>\$ 1,711,875</u>

Additional disclosures about balances and future payments for the lease are as follows:

Finance Lease:	<u>2021</u>	<u>2020</u>
Property and Equipment	\$ 16,295,000	\$ 16,295,000
Accumulated Depreciation	<u>(1,537,264)</u>	<u>(1,010,202)</u>
Property and Equipment Net	<u>\$ 14,757,736</u>	<u>\$ 15,284,798</u>
Lease Liability	<u>16,693,978</u>	<u>16,516,502</u>
Total Finance Lease Liabilities	<u>\$ 16,693,978</u>	<u>\$ 16,516,502</u>
Remaining Lease Term	28 years	29 years
Discount Rate	7.21%	7.21%

BBR SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021 AND 2020

NOTE 4 – LEASES (CONT.)

<u>Year Ending June 30,</u>	<u>Future Minimum Payments</u>
2022	\$ 1,019,650
2023	1,019,650
2024	1,459,650
2025	1,458,250
2026	1,455,350
2027-2031	7,287,650
2032-2036	7,288,231
2037-2041	7,290,319
2042-2046	7,274,514
2047-2049	4,363,557
	<u>39,916,821</u>
Less: Interest	(23,222,843)
Net Present Value	<u>\$ 16,693,978</u>

NOTE 5 – NOTE PAYABLE

In October 2020, Friends signed two notes payable for \$11 million and \$1.4 million to purchase, construct and equip the second campus for BBR. The notes are secured by the property and rent payments from BBR to Friends. As of June 30, 2021, Friends drew \$7,714,249, leaving unused credit of \$3,285,751 on the first note and \$1.4 million on the second note. Friends intends to draw the full amount in the 2022 fiscal year. The notes require monthly payments of \$66,000 and \$15,500 beginning November 1, 2021 through October 1, 2025. The notes mature on October 15, 2025 with a balloon payment. The notes bear interest at 6% and are reported net of unamortized debt issuance costs of \$220,666.

Future debt service on the notes payable as of June 30, 2021 is as follows:

<u>Year Ending June 30,</u>	<u>Based on 6/30/21 Balance</u>			<u>Expected Debt Service After All Draws</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 528,000	\$ 528,000	\$ 59,510	\$ 592,490	\$ 652,000
2023	249,638	542,362	792,000	108,523	869,477	978,000
2024	353,746	438,254	792,000	115,216	862,784	978,000
2025	375,565	416,435	792,000	122,322	855,678	978,000
2026	6,735,300	150,246	6,885,546	11,994,429	315,154	12,309,583
Total	<u>\$ 7,714,249</u>	<u>\$ 2,075,297</u>	<u>\$ 9,789,546</u>	<u>\$ 12,400,000</u>	<u>\$ 3,495,583</u>	<u>\$ 15,895,583</u>

BBR SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2021 AND 2020

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 consisted of the following restrictions:

	<u>2021</u>	<u>2020</u>
Teacher Compensation	\$ 221,125	\$ 187,454
Food Program	14,445	-
Other Restrictions	-	950
Total Net Assets with Restrictions	<u>\$ 235,570</u>	<u>\$ 188,404</u>

Releases of net assets with donor restrictions during the years ending June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Food Program	\$ 102,875	\$ 54,528
Strong Start Grant	16,374	8,725
Annual Teacher Fund	188,706	130,586
Other Restrictions	950	-
Total Released Net Assets	<u>\$ 308,905</u>	<u>\$ 193,839</u>

NOTE 7 -- RELATED ENTITY

BASIS Charter Schools Inc. (BCSI) is the sole member of BBR, has common management (BASIS Educational Group), and shares one common Board member. BCSI also has the authority to appoint members to the Board of Directors of BBR. BBR leases facilities from BCSI and the two entities collaborate on projects to minimize costs and ease administrative burden. In the normal course of their operations payables and receivables are incurred between these entities and are reflected on the Statement of Financial Position as receivables and payables. In addition, BBR paid BCSI for leased personnel in the amounts of \$37 thousand and \$39 thousand for the years ending June 30, 2021 and 2020, respectively.

NOTE 8 -- BASIS EDUCATIONAL GROUP MANAGEMENT AGREEMENT

BBR contracted with BASIS Educational Group (BASIS.ed) to perform management and operational functions of BBR, including leased personnel, and to participate in the BASIS education model. Management fees are paid to BASIS.ed based on a percentage of certain revenue. Expenses recognized to BASIS.ed for the year ending June 30, 2021 were \$1.19 million for management and school development fees and \$3.69 million for leased personnel. Expenses recognized to BASIS.ed for the year ending June 30, 2020 were \$780 thousand for management and school development fees and \$3.03 million for leased personnel.

NOTE 9 -- EAST BATON ROUGE SCHOOL BOARD CONCENTRATION

For the 2020-2021 year, BBR operated a charter school in East Baton Rouge authorized by contract through East Baton Rouge School Board (EBR). A contract for a second campus was approved and went into effect July, 2021. BBR is subject to state, federal and EBR compliance requirements. Failure to comply could lead to loss of funding or revocation of the charter contract. Upon revocation or closure, all assets acquired with public funds are returned to EBR, including cash. Revenues related to the charter contract represented 83% and 91% of total revenues for the years ending June 30, 2021 and 2020, respectively. Should this contract be terminated, BBR's operations would be severely impacted.

BBR SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2021 AND 2020

NOTE 10 -- LIQUIDITY AND AVAILABILITY

The following table summarizes the resources available to fund operations as of June 30, 2021:

RESOURCES AVAILABLE FOR OPERATIONS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 4,963,091
Accounts Receivable:	
Parish School Board	716,268
Other	48,663
Prepaid Expenses	58,426
 <i>Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	(2,288,489)
Payable to Related Entity BCSI	(5,645)
Deferred Revenue	(8,947)
<i>Less Net Asset with Restrictions</i>	<u>(235,570)</u>
 NET RESOURCES AVAILABLE	 <u><u>\$ 3,247,797</u></u>

BBR has approximately five months of operating costs available as of June 30, 2021. In addition, BBR's largest funding source (the contract with EBR) is in effect for the school year 2021-2022, providing monthly payments to support operations sufficient to cover the operating budget.

NOTE 11 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

NOTE 11 – SUBSEQUENT EVENTS

In August 2021, Friends leased a campus to BBR for 479 months, ending on June 30, 2061. Two additional ten year renewal terms are available to BBR. Lease payments are expected to be an amount equal to the amount Friends is obligated to pay in debt service of its mortgage debt for the financing and/or refinancing of the acquisition, construction, renovation and equipping of the premises (see note 5). BBR is also responsible for administrative costs incurred related to the property. Lease payments shall be adjusted if Friends refinances its mortgage debt.

In November 2021, the Louisiana Public Facilities Authority published its preliminary limited offering memorandum pursuant to which it intends to issue revenue bonds in the amount of \$41.550 million and loan the proceeds to Friends for the purpose of refinancing existing loans, purchasing real property currently owned by BCSI and leased to BBR and financing future expansions of the property.

SUPPLEMENTARY INFORMATION

BBR SCHOOLS, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND CERTAIN LOCAL
REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2021

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ -	
Other Instructional Staff Activities	-	
Instructional Staff Employee Benefits	-	
Purchased Professional and Technical Services	3,115,791	
Instructional Materials and Supplies	45,395	
Instructional Equipment	50,747	
Total Teacher and Student Interaction Activities		\$ 3,211,933
Other Instructional Activities		1,231
Pupil Support Services	-	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services		-
Instructional Staff Services	-	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		-
School Administration	-	
Less: Equipment for School Administration	-	
Net School Administration		-
Total General Fund Instructional Expenditures (Total of Column B)		\$ 3,213,164
Total General Fund Equipment Expenditures (Object 730: Functional Series 1000 - 4000)		\$ 50,747
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem	\$ -	
Renewable Ad Valorem	-	
Debt Service Ad Valorem	-	
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 Revenues in Lieu of Taxes		\$ -
<u>Revenues from State Sources</u>		
State Unrestricted Grants-In-Aid:		
State Public School Fund (MFP) - Excluding School Lunch	\$ 8,029,416	
State Revenue for/on Behalf of LEA:		
Other Revenue for/on Behalf of LEA	-	
Total Revenue from State Sources		\$ 8,029,416
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	

See Independent Auditor's Report.

BBR SCHOOLS, INC.
 CLASS-SIZE CHARACTERISTICS
 AS OF OCTOBER 1, 2020

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary					74	34%	37	17%
Elementary Activity Classes					76	35%	28	14%
Middle/ Jr. High								
Middle/ Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

BBR SCHOOLS, INC.
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
 JUNE 30, 2021

Agency Head Name: Deanna Rowe

Purpose	Amount
Salary	\$ 33,500
Benefits-Insurance	\$ 1,776
Benefits-Retirement	\$ 1,140
Benefits-Other - Payroll Taxes	\$ 2,391
Car Allowance	\$ -
Vehicle Provided by Entity	\$ -
Per Diem	\$ -
Reimbursements	\$ -
Travel	\$ 1,673
Registration Fees	\$ -
Conference Travel	\$ -
Housing	\$ -
Unvouchered Expenses	\$ -
Special Meals	\$ -
Other	\$ -

BBR SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	BBR Schools	Friends of BASIS Louisiana	Eliminations	Total
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 4,465,799	\$ 497,292	\$ -	\$ 4,963,091
Accounts Receivable:				
Parish School Board	716,268	-	-	716,268
Other	41,421	7,242	-	48,663
Prepaid Expenses	58,426	-	-	58,426
<i>Total Current Assets</i>	<u>5,281,914</u>	<u>504,534</u>	<u>-</u>	<u>5,786,448</u>
<i>Property and Equipment, net</i>	<u>14,911,000</u>	<u>10,024,410</u>	<u>-</u>	<u>24,935,410</u>
TOTAL ASSETS	<u>\$ 20,192,914</u>	<u>\$ 10,528,944</u>	<u>\$ -</u>	<u>\$ 30,721,858</u>
LIABILITIES AND NET ASSETS				
<i>Current Liabilities:</i>				
Accounts Payable and Accrued Expenses	\$ 496,279	\$ 1,792,210	\$ -	\$ 2,288,489
Payable to Related Entity BCSI	5,645	-	-	5,645
Deferred Revenue	8,947	-	-	8,947
<i>Total Current Liabilities</i>	<u>510,871</u>	<u>1,792,210</u>	<u>-</u>	<u>2,303,081</u>
<i>Long-term Liabilities:</i>				
Note Payable	-	7,493,583	-	7,493,583
Lease Liability	16,693,978	-	-	16,693,978
<i>Total Long-term Liabilities</i>	<u>16,693,978</u>	<u>7,493,583</u>	<u>-</u>	<u>24,187,561</u>
<i>Total Liabilities</i>	<u>17,204,849</u>	<u>9,285,793</u>	<u>-</u>	<u>26,490,642</u>
<i>Net Assets:</i>				
Without Donor Restrictions	2,752,495	1,243,151	-	3,995,646
With Donor Restrictions	235,570	-	-	235,570
<i>Total Net Assets</i>	<u>2,988,065</u>	<u>1,243,151</u>	<u>-</u>	<u>4,231,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,192,914</u>	<u>\$ 10,528,944</u>	<u>\$ -</u>	<u>\$ 30,721,858</u>

See Independent Auditor's Report.

BBR SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2021

	BBR Schools		Friends of BASIS Louisiana		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
	REVENUE					
Contributions	\$ 1,201,811	\$ 222,377	\$ 710,912	\$ -	\$ -	\$ 2,135,100
Contributions In-kind	-	-	539,788	-	-	539,788
Parish School Board Allotment	8,032,011	-	-	-	-	8,032,011
Federal Grant Revenues	-	133,694	-	-	-	133,694
Other Revenues	128,666	-	-	-	-	128,666
	<u>9,362,488</u>	<u>356,071</u>	<u>1,250,700</u>	<u>-</u>	<u>-</u>	<u>10,969,259</u>
Net Assets Released from Restrictions	308,905	(308,905)	-	-	-	-
TOTAL REVENUE	<u>9,671,393</u>	<u>47,166</u>	<u>1,250,700</u>	<u>-</u>	<u>-</u>	<u>10,969,259</u>
EXPENSES						
Educational Program	6,079,865	-	-	-	-	6,079,865
General and Administrative	1,610,187	-	7,549	-	-	1,617,736
Fundraising	40,733	-	-	-	-	40,733
TOTAL EXPENSES	<u>7,730,785</u>	<u>-</u>	<u>7,549</u>	<u>-</u>	<u>-</u>	<u>7,738,334</u>
CHANGE IN NET ASSETS	1,940,608	47,166	1,243,151	-	-	3,230,925
BEGINNING NET ASSETS	<u>811,887</u>	<u>188,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,291</u>
ENDING NET ASSETS	<u>\$ 2,752,495</u>	<u>\$ 235,570</u>	<u>\$ 1,243,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,231,216</u>

See Independent Auditor's Report.

BBR SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2021

	BBR Schools			Friends of BASIS Louisiana	Eliminations	Total
	Program	General & Administrative	Fundraising	General & Administrative		
EXPENSES						
Leased Personnel	\$ 3,295,249	\$ 411,507	\$ 31,777	\$ -	\$ -	\$ 3,738,533
Interest	837,990	359,138	-	-	-	1,197,128
Management & School Development Fee	920,416	271,523	-	-	-	1,191,939
Utilities	88,842	38,352	-	-	-	127,194
Depreciation & Amortization	423,985	163,483	-	-	-	587,468
Purchased Services	31,856	33,972	-	105	-	65,933
Building Maintenance	89,698	39,819	-	-	-	129,517
School Meal Program	105,510	-	-	-	-	105,510
Insurance	66,670	28,573	-	-	-	95,243
Other Operating Costs	219,649	263,820	8,956	7,444	-	499,869
TOTAL EXPENSES	<u>\$ 6,079,865</u>	<u>\$ 1,610,187</u>	<u>\$ 40,733</u>	<u>\$ 7,549</u>	<u>\$ -</u>	<u>\$ 7,738,334</u>

See Independent Auditor's Report.

BBR SCHOOLS, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 2021

	BBR Schools	Friends of BASIS Louisiana	Eliminations	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Cash Received from State and Federal Grantors	\$ 7,920,029	\$ -	\$ -	\$ 7,920,029
Cash Received from Others	1,583,585	703,670	-	2,287,255
Payments to Vendors for Goods and Services	(5,961,126)	(7,549)	-	(5,968,675)
Payments for Interest	(1,019,652)	-	-	(1,019,652)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,522,836</u>	<u>696,121</u>	<u>-</u>	<u>3,218,957</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Purchase of Property and Equipment	(90,242)	(7,692,412)	-	(7,782,654)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(90,242)</u>	<u>(7,692,412)</u>	<u>-</u>	<u>(7,782,654)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES				
Proceeds from Notes Payable	-	7,714,249	-	7,714,249
Debt Issuance Costs Paid	-	(220,666)	-	(220,666)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>7,493,583</u>	<u>-</u>	<u>7,493,583</u>
NET INCREASE (DECREASE) IN CASH	2,432,594	497,292	-	2,929,886
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,033,205</u>	<u>-</u>	<u>-</u>	<u>2,033,205</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 4,465,799</u>	<u>\$ 497,292</u>	<u>\$ -</u>	<u>\$ 4,963,091</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Increase (Decrease) in Net Assets	\$ 1,987,774	\$ 1,243,151	\$ -	\$ 3,230,925
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation & Amortization	587,468	-	-	587,468
In-kind Donations	-	(539,788)	-	(539,788)
(Increase) Decrease in Current Assets:				
Accounts Receivable:				
Parish School Board	(245,676)	-	-	(245,676)
Other	23,263	(7,242)	-	16,021
Prepaid Expenses	(29,898)	-	-	(29,898)
Receivable from Related Entity BCSI	184	-	-	184
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	19,124	-	-	19,124
Payable to Related Entity BCSI	(4,347)	-	-	(4,347)
Deferred Revenue	7,468	-	-	7,468
Interest Accrued on Lease Liability/Note Payable	177,476	-	-	177,476
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,522,836</u>	<u>\$ 696,121</u>	<u>\$ -</u>	<u>\$ 3,218,957</u>

See Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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
BBR Schools, Inc. (BBR)
Baton Rouge, Louisiana

We have audited 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, the financial statements of BBR, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BBR's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BBR's internal control. Accordingly, we do not express an opinion on the effectiveness of BBR'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 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 BBR Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of BBR Schools, Inc. in a separate letter dated November 29, 2021.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armstrong, Vaughan & Associates, P.C.
November 29, 2021



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of BBR Schools, 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 the BBR Schools, Inc. for the fiscal year ended June 30, 2021 and other data submitted to the Louisiana Department of Education. Management of BBR Schools, Inc. is responsible for its performance and statistical data and other data submitted to the Louisiana Department of Education.

BBR Schools, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of testing the validity of the data presented for the year ending June 30, 2021. 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

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

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 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

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 properly classified on the PEP data or equivalent listing prepared by management.

Findings: Two of the teachers in our sample reported years of experience that did not match their personnel records.

Public School Staff Data: Average Salaries

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: The PEP data included minimum salaries and expected hours worked for private, leased teachers. Actual compensation of the private, leased employees in our sample supported the minimum salaries and expected hours.

We were engaged by BBR Schools, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 information or other data submitted to the Louisiana Board of Education for the year ending June 30, 2021. 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 BBR Schools, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



Armstrong, Vaughan & Associates, P.C.
November 29, 2021