

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2014

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**
Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Foundation for East Baton Rouge School System, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** (the Foundation), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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

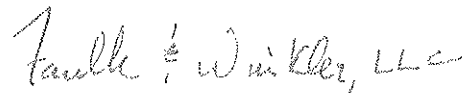
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2014 on our consideration of the Foundation's internal control over financial reporting and 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 the Foundation's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

CURRENT

Cash	\$ 172,073
Unconditional promises to give	<u>83,500</u>
Total current assets	255,573
LONG-TERM UNCONDITIONAL PROMISES TO GIVE, net	6,906
FURNITURE AND EQUIPMENT, net	<u>3,182</u>
Total assets	<u><u>\$ 265,661</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,073
Agency funds payable	<u>59,374</u>
Total liabilities	<u>60,447</u>

NET ASSETS

Unrestricted	173,686
Temporarily restricted	<u>31,528</u>
Total net assets	<u>205,214</u>
Total liabilities and net assets	<u><u>\$ 265,661</u></u>

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

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 122,567	\$ 89,517	\$ 212,084
In-kind	188,157	-	188,157
Other	182	-	182
Total revenue and support	310,906	89,517	400,423
Net assets released from restrictions:	68,705	(68,705)	-
Total revenue and support and net assets released from restrictions	379,611	20,812	400,423
EXPENSES			
Program services	230,083	-	230,083
Management and general	57,227	-	57,227
Total expenses	287,310	-	287,310
Increase in net assets	92,301	20,812	113,113
NET ASSETS			
Beginning of year, restated	81,385	10,716	92,101
End of year	<u>\$ 173,686</u>	<u>\$ 31,528</u>	<u>\$ 205,214</u>

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

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 113,113
Adjustments for non-cash items:	
Depreciation	273
Discount on long-term unconditional promises to give	594
Change in operating assets and liabilities:	
Increase in unconditional promises to give	(61,000)
Decrease in accounts payable	<u>(2,943)</u>
Net cash provided by operating activities	50,037

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in agency funds payable	<u>42,429</u>
Net change in cash	92,466

CASH

Beginning of year	<u>79,607</u>
End of year	<u><u>\$ 172,073</u></u>

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

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Foundation for East Baton Rouge School System, Inc. (the Foundation) is a nonprofit corporation organized under Louisiana R.S. 12:201, and is dedicated to preparing students for successful post-secondary education, careers, and citizenship by supporting high-impact projects in the East Baton Rouge School System for which tax dollars are not available.

Basis of presentation

The Foundation prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2014.

The statement of activities presents expenses of the Foundation's operations functionally by program and management and general.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are primarily used when accounting for depreciation and discounts on long-term unconditional promises to give. Actual results could differ from those estimates.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Unconditional promises to give and revenue recognition

Contributions are recognized when the donor makes a pledge to contribute to the Foundation that is, in substance, unconditional.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Furniture and equipment

Furniture and equipment are recorded at cost. Donated assets are recorded at their fair market value at the date of their gift. It is the Foundation's policy to capitalize property and equipment over \$500. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

In-kind support

Donated services and use of facilities are recorded at estimated fair value on the date of donation. The Foundation received \$188,157 as in-kind contributions during 2014, related to administrative support and facility use. (See Note 7).

Fair value of financial instruments

Unless otherwise indicated, the carrying value of assets and liabilities approximate fair value due to the short-term maturity of these instruments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the Foundation believes it has no material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax issues. The Foundation’s tax filings for the years 2012 through 2014 are open for audit by the Internal Revenue Service.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors’ report, which was the date the financial statements were available to be issued.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

The Foundation’s unconditional promises to give have collection periods through June 30, 2018. Unconditional promises to give in 2014 were recorded at present value net of a discount factor based on a risk free rate of 3%. At June 30, 2014, the expected collections by period of unconditional promises to give, were as follows:

Year	Amount
2015	\$ 83,500
2016	3,500
2017	2,000
2018	2,000
Less discounts to present value	(594)
Total unconditional promises to give, net	\$ 90,406

NOTE 3 – FURNITURE AND EQUIPMENT

The Foundation has capitalized furniture and equipment having useful lives of 10-15 years with a cost of \$3,560 and accumulated depreciation of \$378. The net book value of property and equipment at June 30, 2014, was \$3,182. Depreciation expense was \$273 for 2014.

NOTE 4 – AGENCY FUNDS PAYABLE

The Foundation collects and disburses funds on behalf of various schools and programs in the East Baton Rouge Parish School System. Cash balances related to the agency funds are included the Foundation’s cash balance in the statement of net position. Activity during 2014 was as follows:

	June 30, 2013	Deposits	Disbursements	June 30, 2014
Northdale Academy	\$ -	\$ 53,250	\$ -	\$ 53,250
Glasgow Middle School	16,945	8,826	(21,485)	4,286
Athletics	-	4,750	(3,312)	1,438
Belaire High School	-	400	-	400
	\$ 16,945	\$ 67,226	\$ (24,797)	\$ 59,374

NOTE 5 – RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts restricted for the support of the East Baton Rouge School System. As of June 30, 2014, temporarily restricted net assets consisted of the following:

Program	Amount
Robotics	\$ 25,447
Civic centers	6,076
Library	5
Total restricted net assets	\$ 31,528

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Foundation solicits a majority of funds from individuals and corporations that reside in East Baton Rouge Parish, Louisiana.

NOTE 7 – RELATED PARTY

East Baton Rouge School System provides administrative services and facility use to the Foundation, which is recorded as in-kind support on the Statement of Activities. During 2014, \$188,157 was recorded to reflect the services and facility use provided by the East Baton Rouge School System.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During 2014, the Foundation discovered an error in recording of various transactions in 2013. A summary of adjustments affecting beginning net assets is as follows:

	<u>Amount</u>
Ending net assets, per 2013 compilation report	\$ 82,962
To record prior year contributions receivable	30,100
To record prior year agency transactions	(16,945)
To record prior year expenses	<u>(4,016)</u>
Beginning net assets, per 2014 audit report	<u>\$ 92,101</u>



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

Board of Directors
Foundation for East Baton Rouge School System, Inc.
Baton Rouge, 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 the **FOUNDATION FOR EAST BATON ROUGE SCHOOL SYSTEM, INC.** (the Foundation) (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item 2014-1, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

Management's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

This report is intended solely for the information and use of Management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2014

1) Summary of Audit Results:

- a) The type of report issued on the basic financial statements: **Unqualified opinion.**
- b) Significant deficiencies in internal control disclosed by the audit of financial Statements: **2014-1.**
Material weaknesses: **None.**
- c) Noncompliance which is material to the basic financial statements: **None.**
- d) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2014-1.**

2) Findings - Financial Statement Audit:

2014-1 SEGREGATION OF DUTIES

Condition: There is inadequate segregation of duties with certain financial operational aspects of the Foundation.

Criteria: The Foundation's administrative assistant is responsible for data entry, cash receipts, and submission of payables. Management has indicated that members of the governing board review financial data monthly and approve cash disbursements, which are ultimately disbursed by the Foundation's trust account agent.

Recommendation: With respect to cash receipts, we recommend the Foundation consider the following:

- A listing of all receipts received by the administrative assistant should be sent to the Executive Director and the Treasurer. The Executive Director should reconcile the receipt listing to the deposit detail in the monthly bank statements and accounts receivable activity.

Management's response: Management understands that this finding results from the small size of the staff of the Foundation. Additionally, management agrees with the recommendation above and intends to explore and pursue segregating responsibilities in any way possible.

**FOUNDATION FOR EAST BATON ROUGE
SCHOOL SYSTEM, INC.**

Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES			
Personnel	\$ 139,590	\$ 33,861	\$ 173,451
Professional services	33,000	4,000	37,000
Robotics	25,376	-	25,376
Contract services	12,202	-	12,202
Occupancy	-	12,131	12,131
Conferences and travel	8,911	-	8,911
Supplies and maintenance	4,585	4,229	8,814
Chessmates	3,725	-	3,725
Sponsorships	2,250	-	2,250
Dues and subscriptions	300	1,673	1,973
Depreciation	-	273	273
Other	144	1,060	1,204
Total expenses	<u>\$ 230,083</u>	<u>\$ 57,227</u>	<u>\$ 287,310</u>