

**NEW SCHOOLS FOR BATON ROUGE**  
**FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013**

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# DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
New Schools for Baton Rouge  
Baton Rouge, LA

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

We have audited the accompanying financial statements of New Schools for Baton Rouge (a non-profit organization), which comprise the statements of financial position as of September 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the nine month period 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 New Schools for Baton Rouge as of September 30, 2013, and the changes in its net assets and its cash flows for the nine month period then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of New Schools for Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 New Schools for Baton Rouge's internal control over financial reporting and compliance.

*Daigneport & Brian APAC*

Baton Rouge, Louisiana  
December 12, 2013

NEW SCHOOLS FOR BATON ROUGE  
 STATEMENT OF FINANCIAL POSITION  
 SEPTEMBER 30, 2013

ASSETS

Current Assets

Cash	\$ 1,894,067
Promises to give	<u>1,993,096</u>
Total Current Assets	<u>3,887,163</u>

Property and Equipment

Furniture and fixtures	63,226
Equipment	8,554
Leasehold Improvements	<u>85,061</u>
	156,841
Accumulated depreciation	<u>(4,228)</u>
Total Property and Equipment	<u>152,613</u>

Total Assets	<u>\$ 4,039,776</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 107,364
Accrued liabilities	<u>20,923</u>
Total Current Liabilities	<u>128,287</u>

Net Assets

Unrestricted	2,094,662
Temporarily restricted	<u>1,816,827</u>
Total Net Assets	<u>3,911,489</u>

Total Liabilities and Net Assets	<u>\$ 4,039,776</u>
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The accompanying notes are an integral part of this statement.

NEW SCHOOLS FOR BATON ROUGE  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues</u>			
Foundation grants	\$ 5,429	\$ 2,160,340	\$ 2,185,769
Federal grants	-	370,000	370,000
State grants	-	20,532	20,532
Individual contributions	103,856	40,000	123,856
Corporate contributions	1,433,274	15,000	1,448,274
Interest income	28	-	28
Changes in net asset restrictions:			
Released from restrictions	<u>849,045</u>	<u>(849,045)</u>	<u>-</u>
Total revenues	<u>2,391,632</u>	<u>1,756,827</u>	<u>4,148,459</u>
<u>Expenses</u>			
Program services	1,170,796	-	1,170,796
Management and general	60,906	-	60,906
Fundraising amount	<u>35,836</u>	<u>-</u>	<u>35,836</u>
Total expenses	<u>1,267,538</u>	<u>-</u>	<u>1,267,538</u>
Increase (decrease) in net assets	<u>1,124,094</u>	<u>1,756,827</u>	<u>2,880,921</u>
Net assets - beginning of year	<u>970,568</u>	<u>60,000</u>	<u>1,030,568</u>
Net assets - end of year	<u>\$ 2,094,662</u>	<u>\$ 1,816,827</u>	<u>\$ 3,911,489</u>

The accompanying notes are an integral part of this statement.

NEW SCHOOLS FOR BATON ROUGE  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

	Program Service	Management and General	Fundraising	Total
Accounting	\$ -	\$ 10,860	\$ -	\$ 10,860
Conferences	12,021	-	-	12,021
Depreciation	-	4,228	-	4,228
Employee benefits	37,400	4,540	1,346	43,286
Insurance	-	7,135	-	7,135
Meals and entertainment	5,424	95	-	5,519
Miscellaneous	-	2,974	-	2,974
Office expense	-	4,897	-	4,897
Payroll taxes	24,433	189	2,352	26,974
Professional fees	35,537	1,840	-	37,377
Rent	-	15,524	-	15,524
Salaries and wages	360,338	4,162	32,138	396,638
School strategy	695,643	-	-	695,643
Telephone and utilities	-	4,462	-	4,462
Total Expenses	<u>\$ 1,170,796</u>	<u>\$ 60,906</u>	<u>\$ 35,836</u>	<u>\$ 1,267,538</u>

The accompanying notes are an integral part of this statement.

NEW SCHOOLS FOR BATON ROUGE  
 STATEMENT OF CASH FLOWS  
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

Cash Flows from Operating Activities

Changes in net assets	\$ 2,880,921
<u>Adjustments to reconcile net revenues over expenses to net cash provided by operating activities:</u>	
Depreciation	4,228
Increase in promises to give	(1,274,239)
Increase in accounts payable	103,396
Increase in accrued liabilities	17,718
Total adjustments	<u>(1,148,897)</u>
Net cash provided by operating activities	<u>1,732,024</u>

Cash Flows from Investing Activities

Purchase of property, plant and equipment	<u>(151,882)</u>
Net cash used by investing activities	<u>(151,882)</u>
Increase in Cash and Cash Equivalents	1,580,142
Cash and Cash Equivalents, Beginning of Year	<u>313,925</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,894,067</u>

The accompanying notes are an integral part of this statement.

NEW SCHOOLS FOR BATON ROUGE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies

(a) Organization

New Schools for Baton Rouge (NSBR) began operating in 2012 and is a non-profit organization located in Baton Rouge, LA. The purpose of NSBR is to serve as a community partner, bringing together talent and resources to deliver excellent schools to students and families in Baton Rouge. This is done through attracting high performing schools with strong track records of success, expanding organizations that produce exceptional teachers and principals, and supporting an ecosystem of reform oriented organizations needed for schools to succeed.

At the end of 2012 New Schools for Baton Rouge elected to change its year end from December 31<sup>st</sup> to September 30<sup>th</sup>. These financial statements reflect information for the nine month period ended September 30, 2013.

(b) Basis of Accounting

The financial statements of the New Schools for Baton Rouge have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(c) Revenues

New Schools for Baton Rouge receives substantially all of its revenue from grants and contributions from foundations, corporations, individuals, as well as, federal and state agencies. Grants and contributions made to the Organization are considered available for unrestricted use unless specifically restricted by the donor.

(d) Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report 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. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets*

Unrestricted net assets are for general use with no restrictions.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets can be expended currently, but only for a specified purpose designated by the grantor.

*Permanently Restricted Net Assets*

Net assets permanently restricted for future use by the grantor or the board of directors. There are no permanently restricted net assets as of September 30, 2013.

(e) Cash

Cash consists of bank deposits held with financial institutions.

**1. Summary of Significant Accounting Policies - Continued**

(f) Promises to Give

Promises to give consist of the net present value of written commitments to NSBR for future years. Management has determined that there were no balances recorded that were uncollectible as of September 30, 2013.

(g) Functional Expenses

NSBR allocates its expenses on a functional basis among between program, fundraising, or management and general. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

(h) Income Taxes

NSBR accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

NSBR is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is no longer subject to federal information return examinations by tax authorities for years before 2011 which is the first year of filing an information return.

(i) Use of Estimates

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

(j) Subsequent Events

In preparing these financial statements, NSBR has evaluated events and transactions for potential recognition or disclosure through December 12, 2013, the date the financial statements were available to be issued.

**2. Concentrations**

NSBR receives substantially all of its operating revenue from grants and contributions from foundations, corporations, individuals, as well as, federal and state agencies. Donors with a concentration of revenue and receivables from these sources are as follows:

	Revenue		Receivables
Donor 1	35%	Donor 1	38%
Donor 2	15%	Donor 3	9%

Financial instruments, which potentially subject NSBR to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Amounts in excess of insured limits at September 30, 2013 were approximately \$1,665,000. NSBR does not believe that it is exposed to any significant credit risk on uninsured amounts.

NEW SCHOOLS FOR BATON ROUGE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

3. Leases

NSBR has entered into a two year agreement with Louisiana State University (LSU) to rent office space at the Shaw Center for the Arts. Rental payments of \$768 began in August of 2012, and once the office space is fully used, the monthly rental payment will go up to \$2,258 due on or before the 1<sup>st</sup> day of each month. The space became fully used by NSBR in April of 2013. The total rent expense for the nine month period ended September 30, 2013 was \$15,524. The agreement terminates on July 31, 2014 and may be extended for one additional one-year period subject to mutual agreement between LSU and NSBR.

Future lease payments are as follows:

Year ended September 30, 2014	\$	22,580
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4. Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of the assets, which is generally three to five years.

Additions or betterments that extend the useful life of assets are capitalized as property and equipment. General maintenance and repair expenditures that do not extend the useful life are expensed as incurred.

5. Compensated Absences

All regular full-time employees earn 15 days of personal time, which includes vacation and sick leave, annually. A maximum of 20 days (160 hours) of personal time may be carried over to the following year. At September 30, 2013 \$17,835 has been accrued for compensated absences.

6. Retirement Plan

NSBR offers a 401(k) retirement plan for all full-time eligible employees. Enrollment is available immediately upon employment. For those that are eligible NSBR will match 100% up to 5% of the employee's contributions.

For the nine month period ended September 30, 2013 the amount paid related to the NSBR's retirement plan was \$16,423.

7. Temporarily Restricted Net Assets

As of September 30, 2013 NSBR received grants and contributions totaling \$2,965,872 for the purpose of providing support for schools and training of school leaders with a portion covering salaries and professional services. As of September 30, 2013 NSBR has spent \$1,149,045 of restricted grants and contributions for their intended purpose leaving \$1,816,827 remaining in temporarily restricted net assets.

NEW SCHOOLS FOR BATON ROUGE  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

8. Promises to Give

NSBR receives promises to give from foundations, corporations, and individuals for the purpose of providing support for schools and to cover a portion of operating costs. Promises to give are recognized at their net present value in the statement of financial position using a discount rate of 5%.

Promises to give at September 30, 2013 consist of the following:

Foundations	\$ 1,570,000
Corporations	425,000
Individuals	<u>120,000</u>
	2,115,000
Less: Unamortized discount	<u>(121,904)</u>
Net promises to give	<u>\$ 1,993,096</u>

Amounts due in:

Less than one year	\$ 1,195,000
One to five years	<u>920,000</u>
	<u>\$ 2,115,000</u>

9. School Strategy

The expense school strategy primarily consists of education related expenditures that further NSBR's mission. The charges in this account are as follows:

Educational grants to others	\$ 300,000
Federal passthrough grants	370,000
State passthrough grants	20,532
Miscellaneous	<u>5,111</u>
	<u>\$ 695,643</u>

# DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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  
New Schools for Baton Rouge  
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 New Schools for Baton Rouge, (a non-profit organization) which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the nine month period then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2013.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Schools for Baton Rouge'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 New Schools for Baton Rouge'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 New Schools for Baton Rouge'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 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 organization'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 Legislative Auditor as a public document.

*Daigreport of Brian APAC*

Baton Rouge, Louisiana  
December 12, 2013

NEW SCHOOLS FOR BATON ROUGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

We have audited the financial statements of New Schools for Baton Rouge, as of September 30, 2013, and for the nine month period then ended, and have issued our report thereon dated December 12, 2013. 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.

**Summary of Auditor's Reports**

*Financial Statements*

- |  |            |
|--|------------|
| • Type of auditors' report issued:   | Unmodified |
| • Material weakness(es) identified?  | No         |
| • Significant deficiencies identified that are not considered to be material weaknesses? | No         |
| • Noncompliance material to financial statements noted?                                  | No         |

**Finding – Financial Statement Audit**

There are no findings for the nine month period ended September 30, 2013.

**Questioned Costs**

There are no questioned costs for the nine month period ended September 30, 2013.