



Northshore Charter Schools, Inc.

FINANCIAL STATEMENTS

June 30, 2023



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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northshore Charter Schools, Inc.
Bogalusa, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northshore Charter Schools, Inc. (a nonprofit corporation) (the School) (d/b/a Northshore Charter School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to the Agency Head 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 related directly to 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 our report dated January 2, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana

January 2, 2024



FINANCIAL STATEMENTS



Northshore Charter Schools, Inc.
Statement of Financial Position

June 30,

2023

Assets

Current assets

| | | |
|------------------------------|----|---------|
| Cash and cash equivalents | \$ | 909,980 |
| Grants and other receivables | | 641,883 |
| Prepaid expenses | | 31,343 |
| Short-term investments | | 800,000 |

Total current assets 2,383,206

Non-current assets

| | | |
|--|--|---------|
| Deposits | | 27,523 |
| Operating lease right-of-use assets, net | | 521,239 |
| Property and equipment, net | | 874,169 |

Total non-current assets 1,422,931

Total assets \$ 3,806,137

Liabilities and Net Assets

Current liabilities

| | | |
|--|----|---------|
| Accounts payable and other accrued expenses | \$ | 65,073 |
| Employee benefits payable | | 181,414 |
| Accrued payroll expenses | | 182,944 |
| IRS payable (Note 13) | | 743,069 |
| Current portion of operating lease liabilities | | 277,879 |

Total current liabilities 1,450,379

Long-term liabilities

| | | |
|---|--|---------|
| Operating lease liabilities, less current portion | | 243,360 |
|---|--|---------|

Total liabilities 1,693,739

Net assets

| | | |
|----------------------------|--|-----------|
| Without donor restrictions | | 2,112,398 |
|----------------------------|--|-----------|

Total net assets 2,112,398

Total liabilities and net assets \$ 3,806,137

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

Northshore Charter Schools, Inc.
Statement of Activities

| <i>For the year ended June 30,</i> | 2023 |
|------------------------------------|--------------|
| <hr/> | |
| Revenue and other support | |
| MFP state and local | \$ 5,411,289 |
| Federal grants | 1,724,647 |
| Miscellaneous | 85,825 |
| <hr/> | |
| Total revenue and other support | 7,221,761 |
| | |
| Expenses | |
| Program services: | |
| Instructional | 6,709,086 |
| Support services: | |
| Management and general support | 549,107 |
| <hr/> | |
| Total expenses | 7,258,193 |
| <hr/> | |
| Change in net assets | (36,432) |
| | |
| Net assets at beginning of year | 2,148,830 |
| <hr/> | |
| Net assets at end of year | \$ 2,112,398 |
| <hr/> | |

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

Northshore Charter Schools, Inc.
Statement of Functional Expenses

| <i>For the year ended June 30,</i> | Program | Support | 2023 |
|------------------------------------|---------------------|---------------------------|---------------------|
| | Instructional | Management and general | |
| Salaries and benefits | \$ 5,016,441 | \$ 216,841 | \$ 5,233,282 |
| Purchased professional services | 160,307 | 115,370 | 275,677 |
| Student transportation services | 15,475 | - | 15,475 |
| Materials and supplies | 182,194 | 7,161 | 189,355 |
| Food service management | 279,809 | - | 279,809 |
| Depreciation | 85,088 | 13,252 | 98,340 |
| Student activity expenses | 50,775 | - | 50,775 |
| Communications | 10,067 | 1,568 | 11,635 |
| Dues and fees | 13,975 | 604 | 14,579 |
| Repairs and maintenance | 43,755 | 6,815 | 50,570 |
| Advertising | - | 4,390 | 4,390 |
| Insurance | 30,160 | 104,680 | 134,840 |
| Textbooks and workbooks | 145,823 | - | 145,823 |
| Leased buildings and equipment | 261,258 | 11,293 | 272,551 |
| Utility services | 88,664 | 13,361 | 102,025 |
| Tax penalties | - | 53,772 | 53,772 |
| Administration fees | 325,295 | - | 325,295 |
| Total | \$ 6,709,086 | \$ 549,107 | \$ 7,258,193 |

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

Northshore Charter Schools, Inc.
Statement of Cash Flows

For the year ended June 30,

2023

| | |
|---|-------------|
| Operating activities | |
| Change in net assets | \$ (36,432) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Depreciation | 98,340 |
| Amortization of right-of-use assets | 247,305 |
| Changes in operating assets and liabilities: | |
| Grants and other receivables | 1,588,613 |
| Prepaid expenses | (31,343) |
| Deposits | 7,230 |
| Accounts payable and other accrued expenses | 3,716 |
| Employee benefits payable | 50,096 |
| Accrued payroll expenses | (4,569) |
| Accrued compensated absences | (185,532) |
| IRS payable | 53,772 |
| Operating lease liabilities | (247,305) |
| <hr/> | |
| Net cash provided by (used in) operating activities | 1,543,891 |
| Investing activities | |
| Purchases of equipment | (606,310) |
| Purchases of short-term investments | (1,000,000) |
| Redemption of short-term investments | 200,000 |
| <hr/> | |
| Net cash provided by (used in) investing activities | (1,406,310) |
| <hr/> | |
| Net change in cash and cash equivalents | 137,581 |
| Cash and cash equivalents at beginning of year | 772,399 |
| <hr/> | |
| Cash and cash equivalents at end of year | \$ 909,980 |
| <hr/> <hr/> | |
| Schedule of non-cash transactions | |
| Operating lease liabilities arising from obtaining right-of-use assets | \$ 767,357 |
| <hr/> <hr/> | |

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

Northshore Charter Schools, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Northshore Charter Schools, Inc. (the School) (a nonprofit organization) (d/b/a Northshore Charter School) was organized as a non-profit corporation under the laws of the State of Louisiana on June 11, 2012. On July 1, 2013, the School was granted a five year charter by the Louisiana Board of Elementary and Secondary Education to operate a Type 2 charter school. As of July 1, 2017, the School converted to a Type 1 charter school. The current charter is for three (3) years effective July 1, 2022 and ending June 30, 2025, unless Bogalusa City School Board (BCSB) grants the maximum initial term of five (5) years, through June 30, 2027.

Under this charter, BCSB is responsible for the direct oversight of the School. Due to this oversight and the School's fiscal reliance on the BCSB, the School is considered a component unit of the BCSB. Annually, BCSB issues financial statements which includes the activity contained in the accompanying financial statements.

The School has a Board of Directors serving on a voluntary basis which governs the School's finances, operations, and administration.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allocation of expenses by function and depreciation.

Program Services

The School's program services consist of the following:

Instructional – The School provides educational services to eligible students in kindergarten through the eighth grade.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Short-term Investments

As of June 30, 2023, the School maintained funds in certificates of deposits (CDs) as a way to earn interest on its cash. The School classifies its certificates of deposit as cash and cash equivalents or short-term investments and reassesses the appropriateness of the classification of its investments at the end of each reporting period. Certificates of deposit held for investment with an original maturity greater than three months but less than twelve months are reported as short-term investments on the statement of financial position.

As of June 30, 2023, the School had \$800,000 in certificates of deposit with maturities between 90 days and 360 days, earning interest between 2.5% and 1.0%, paid monthly. The certificates of deposit automatically renew at maturity unless withdrawn by School management. As of January 2, 2024, School management had not withdrawn the certificates of deposit.

Grants and Other Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation balances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of June 30, 2023, management did not deem any receivables to be uncollectable; therefore no allowance was recorded.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation amortization is computed using the straight-line method (the lesser of management's estimated useful life of a capitalized asset or the remaining life of the building or the term of the lease, if the capitalized asset would stay with the building if the School vacated).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenues or expenses.

Impairment of Long-Lived Assets

The School reviews long-lived assets, consisting of leasehold improvements, furniture, fixtures, and equipment, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The School determines recoverability of assets by comparing the carrying value of the asset to the net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during the year ended June 30, 2023.

Leases

The School leases a building and property, modular buildings, and office equipment. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The School reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the School, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor imposed restrictions that are both received and released within the same year are recorded as net assets without donor restrictions.

Revenue Recognition

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund (the State) and the Louisiana Board of Elementary and Secondary Education (BESE). For the year ended June 30, 2023, the School received \$5,411,289 from the State, and BESE in MFP funding.

MFP funding, federal grants, and state grants are paid to the School by the BCSB, which is responsible for monitoring the School's use of the funds and undergoing the necessary oversight by granting agencies for the expended funds.

A significant portion of the School's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Northshore Charter Schools, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Special event and fundraising income are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied, or when performance obligations are met. There was no special event or fundraising income during the year ended June 30, 2023.

Compensated Absences

Employees earn 10 days paid leave per year to be used in the event of their own illness, an immediate family member's illness, bereavement, visits to required medical practitioners, or personal business. The School's Board of Directors adopted a 'use it or lose it' policy effective July 1, 2022. At June 30, 2023, the School had no accrued compensated absences payable.

Functional Allocation of Expenses

Any costs related to program administration is functionally classified as supporting service expenses. Any costs related to activities that constitute direct conduct or direct supervision of program service are program expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the School.

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Salaries are allocated on the basis of estimates of time and effort and other natural costs are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the cost to a particular program function or supporting function.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the School is exempt from taxes on income other than unrelated business income. The School had no unrelated business income for the year ended June 30, 2023.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The School utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2023, the School has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 2, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available.

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Northshore Charter Schools, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (continued)

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a lease liability at the carrying amount of the operating lease obligations on June 30, 2022, of \$767,357 and a right-of-use asset at the carrying amount of the operating lease asset of \$767,357.

The standard had a material impact on the School's statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The School maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the School's expenditures come due. The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

| June 30, | 2023 |
|--|-------------------------|
| Total assets at year-end | \$ 3,806,137 |
| Less non-financial assets | |
| Prepaid expenses and other assets | 31,343 |
| Deposits | 27,523 |
| Operating lease right-of-use assets, net | 521,239 |
| Property and equipment, net | 874,169 |
| | 1,454,274 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 2,351,863 |

Northshore Charter Schools, Inc.
Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)

The School has a goal to maintain financial assets, consisting of cash on hand, to meet 30 days of operating expenses. Management estimates 30 days of operating expenses to be \$605,000 and believes it has appropriate available financial resources as of June 30, 2023. As part of its liquidity management, the School maintains cash accounts in various checking accounts that can be accessed to meet daily needs of the School.

Note 4: GRANTS AND OTHER RECEIVABLES

Grants and other receivables are deemed fully collectible by management and were comprised of the following as of June 30, 2023:

| | | |
|---|-----------|----------------|
| Grants receivable | | |
| Title I/ ESSER II/ ESSER III | \$ | 186,432 |
| Special Education – IDEA Pt B | | 17,123 |
| Child Nutrition Program | | 13,848 |
| Total grants receivable | | 217,403 |
| Other receivables | | |
| MFP | | 423,830 |
| Other | | 650 |
| Total other receivables | | 424,480 |
| Total grants and other receivables | \$ | 641,883 |

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2023:

| | Estimated Useful Lives (in years) | | |
|------------------------------------|--------------------------------------|-----------|------------------|
| Furniture, fixtures, and equipment | 5-15 years | \$ | 402,194 |
| Vehicles | 5-15 years | | 458,815 |
| Leasehold improvements | 5-15 years | | 629,504 |
| | | | 1,490,513 |
| Less: accumulated depreciation | | | (616,344) |
| Property and equipment, net | | \$ | 874,169 |

Depreciation expense was \$98,340 for the year ended June 30, 2023.

Note 6: NET ASSETS

When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction. There were no net assets with donor restrictions at June 30, 2023.

Note 7: SHARED SERVICES AGREEMENT

In May 2022, effective July 1, 2022, the School entered into a contract for BCSB to provide the following services to the School:

- Anzio Software: annual software license for financial management and accounting software and includes software maintenance and technical support - \$8,500 annually (25% of the total cost to BCSB)
- EdGear JCampus Software: annual software license for student records management and includes annual software maintenance and technical support - \$13,750 annually (25% of the total cost to BCSB)
- Title I Crate Software: annual software license for grant management and includes annual maintenance and technical support - \$1,350 annually
- Special Education, Pupil Appraisal, and Related Services: provision of services and administrative support - \$214,911 annually

Note 8: LEASES

Effective May 1, 2013, the School entered into an agreement with the City of Bogalusa (Lessor), which allows the School to operate a type 2 charter school and use the facilities and its contents located at 111 Walker Street, Bogalusa, LA 70427.

The primary lease term is for five (5) years, beginning August 1, 2013, with an automatic renewal of one (1) additional five (5) year term, expiring July 31, 2023. Monthly rent is \$1,500.

The Lessor is responsible for major repairs (i.e. walls, foundation, roof, and heating and air conditioning systems) and the School is responsible for all other maintenance, repairs, and utilities of the buildings and property.

As of January 2, 2024, the School is using the previously leased facilities on a month to month basis, as the original lease had not been extended as the School and City of Bogalusa were still negotiating.

The School has operating leases for buildings and equipment. The leases have remaining lease terms from one to twenty four months, some of which may include options to extend the leases. The optional periods are only included in determining the lease term if the School determines they are reasonably likely to exercise the option.

Northshore Charter Schools, Inc.
Notes to Financial Statements

Note 8: LEASES (Continued)

The weighted average remaining lease term and weighted average discount rate at June 30, 2023, was 24 months and 3.22%, respectively. Lease expense related to the leases was \$272,551 for the year ended June 30, 2023.

Future minimum lease payments under non-cancellable operating leases as of June 30, 2023 were as follows:

| For the years ending June 30, | 2023 |
|-------------------------------------|-------------------|
| 2024 | \$ 270,168 |
| 2025 | 268,668 |
| 2026 | - |
| 2027 | - |
| 2028 | - |
| Thereafter | - |
| Total future minimum lease payments | 538,836 |
| Less: Imputed interest | (17,597) |
| Present value of lease liabilities | \$ 521,239 |

Note 9: CONTINGENCIES

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with Bogalusa City School Board. If the State of Louisiana legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated. An estimate of possible loss or range of loss cannot be made.

The School is the recipient of grant funds from various federal, state and local agencies. The grants are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of the School and are subject to audit and/or review by the applicable funding sources. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

The School receives the majority of its operating revenue from the State of Louisiana's minimum foundation program (MFP), which is passed through Bogalusa City School Board. MFP funding is based upon student count and is dependent upon appropriations from the Louisiana Legislature.

Note 9: CONTINGENCIES (Continued)

The School maintains its cash balances at a financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ended June 30, 2023. At June 30, 2023, the School had \$1,461,234 in uninsured cash deposits. The School has not experienced any losses and does not have a policy for custodial credit risk.

Note 10: SIGNIFICANT CONCENTRATIONS

For the year ended June 30, 2023, the School received approximately 75% of its total revenue from state and local public school funds and approximately 24% of its total revenue from federal programs.

For the year ended June 30, 2023, the School's grant receivables from federal sources accounted for 34% of total grant and other receivables and other receivables from state and local public school funds account for 66% of total grant and other receivables.

Note 11: RETIREMENT PLANS

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana (the TRSL) or the Louisiana School Employees' Retirement System (the LSERS). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to these plans follows:

Teachers' Retirement System of Louisiana

The Teachers' Retirement System of Louisiana (the TRSL) is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The TRSL provides retirement benefits as well as disability and survivor benefits to eligible participants. 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.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Note 11: RETIREMENT PLANS (Continued)

Teachers' Retirement System of Louisiana (Continued)

Participants are required to contribute 8.00% of their annual covered payroll to the TRSL. The School is required to contribute at an actuarially determined rate. The rate was 24.8% of annual eligible covered payroll for the year ended June 30, 2023. 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 School's contributions to TRSL was \$899,785 for the year ended June 30, 2023. The School had a payable due to TRSL totaling \$168,605 as of June 30, 2023.

Louisiana School Employees' Retirement System

The State of Louisiana School Employees' Retirement System (the LSERS) was established and provided for by Louisiana R.S. 11:1001 as a cost-sharing, multiple employer defined benefit pension plan under section 401(a) of the Internal Revenue Code. The LSERS provides retirement benefits as well as disability and survivor benefits to all eligible school bus operators, school janitors, school custodians, school maintenance employees, and school bus aides. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. The report may be obtained by writing to the Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804.

Participants vest immediately in employee contributions to the plan. Ten years of service credit is 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. Plan members are required to contribute 8.00% of their annual covered salary, and employers contributed 28.7% of annual eligible covered payroll for the year ended June 30, 2023. Member and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to LSERS were \$78,906 for the year ended June 30, 2023. The School had a payable due to LSERS totaling \$12,980 as of June 30, 2023.

Note 12: RELATED PARTIES

As described in Note 1, under the School's current charter, BCSB is responsible for the direct oversight of the School. As such, BCSB withholds a percentage of the School's MFP funds for administrative overhead costs incurred by the BCSS for considering the charter application and any amendment thereto, providing monitoring and oversight of the school, collecting and analyzing data of the school, and for reporting on school performance. These administrative fees are paid in addition to the shared services fees described in Note 7. Total fees paid by the School to BCSB during the year ended June 30, 2023 were \$325,295.

Note 13: IRS ASSESSED PENALTIES AND INTEREST

During the 2020 fiscal year, the School received several notices from the Internal Revenue Service (IRS) indicating the School owed the IRS a total of \$666,169 for civil penalties and interest related to the calendar years 2014, 2015, 2016, and 2017. According to the IRS, the civil penalties and interest were levied against the School for late payments of payroll tax deposits due to the United States Treasury; late submissions of IRS Form 941 to the Internal Revenue Service; and failure to submit Form W2s to the Social Security Administration.

For the year ended June 30, 2023, the School made payments totaling \$0 toward this balance, and incurred \$53,772 of interest on the outstanding balance. The taxes payable, penalties and interest due at June 30, 2023 was \$743,069.

Management is currently working with tax advisors to dispute the assessment of such penalties and interest and attempt to alleviate the School of such amounts. Due to the uncertainty of whether or not the penalties and interest will be removed or reduced, the School must report a liability on the statement of financial position and the related expense as tax penalties and interest under general administrative expenses on the statement of activities and statement of functional expenses. Financials will be revised in the upcoming fiscal year to reflect any respite from the penalties and interest cited.



SUPPLEMENTARY INFORMATION



Northshore Charter Schools, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head

For the year ended June 30,

2023

Agency Head Name: Dee Dee McCullough, Principal/CEO

| PURPOSE | AMOUNT |
|--------------------------------|-------------------|
| Salary | \$ 127,600 |
| Benefits-insurance | 13,217 |
| Benefits-retirement | 35,759 |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | 2,148 |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Housing | - |
| Unvouchered expenses | - |
| PTO pay out | 14,178 |
| Bonuses | 16,588 |
| Total | \$ 209,490 |

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

To the Board of Directors of
Northshore Charter Schools, Inc.
Bogalusa, 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 Northshore Charter Schools, Inc. (a nonprofit organization) (the School) (d/b/a Northshore Charter School), which comprise the statement of financial position as of June 30, 2023, 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 January 2, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

The School's Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying corrective action plan. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana

January 2, 2024

Northshore Charter Schools, Inc.
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

- | | | |
|----|--|------------|
| 1. | Type of auditors' report issued | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| | c. Noncompliance material to the financial statements noted? | No |

Section II – Financial Statements Findings

Finding 2023-001

Noncompliance – STUDENT ELIGIBILITY

Criteria: The School should review and maintain student file documentation prior to acceptance each year to determine that the student exists and is a resident within the City of Bogalusa school district and, thus, eligible to attend the School as required by the charter agreement.

Condition: The School did not maintain documentation that it reviewed student eligibility prior to acceptance for the 2022-2023 school year. 4 of 25 files tested did not contain documentation that the student resided within the City of Bogalusa school district.

Cause: The School did not implement appropriate controls to ensure documentation of eligibility was maintained.

Effect: Local Minimum Foundation Program revenue could be collected for students that do not reside within the City of Bogalusa school district.

Recommendation: We recommend that the School revise and implement controls to maintain documentation of student existence and eligibility.

Management Response: See corrective action plan on page 26.

Section III – Management Letter

No management letter was issued.

**Northshore Charter Schools, Inc.
Schedule of Findings and Responses
For the Year Ended June 30, 2023**

Section IV – Summary Schedule of Prior Audit Findings

No findings noted.



111 Walker Street Bogalusa, Louisiana 70427 (P)985 732-0005 (F)985 732-0580

January 2, 2024

RE: Corrective Action Plan

Northshore Charter School respectfully submits the following corrective action plan for the year ended December 31, 2023

MANAGEMENT'S RESPONSE TO FINDINGS

Finding 2023-001 – Noncompliance – STUDENT ELIGIBILITY

Status: In progress.

Planned Corrective Action: Management will review current policies and procedures for review and maintenance of student files and make changes as necessary to ensure all student files are complete.

Person(s) Responsible: Alicia D. Rhoades, Data Coordinator

Estimated Completion Date: March 1, 2024

Sincerely,

Dee Dee McCullough, Principal/CEO



Northshore Charter School

BESE AGREED-UPON PROCEDURES REPORT

June 30, 2023



Carr, Riggs & Ingram, LLC
111 Veterans Boulevard
Suite 350
Metairie, LA 70005

504.837.9116
504.837.0123 (fax)
CRlcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Northshore Charter School
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 Northshore Charter School (a nonprofit organization) (the School) for the fiscal year ended June 30, 2023; and to determine whether the specified schedules are free of obvious error and omissions, in compliance with Louisiana Revised Statute 24:514 I. The School's management is responsible for the performance and statistical data.

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

The procedures and associated results are as follows:

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

1. We will select a sample of 25 transactions, review supporting documentation, and observe 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, and
 - Nonpublic Transportation Revenue.

Results: No exceptions noted in performing this procedure.

Class Size Characteristics (Schedule 2)

2. We will obtain a list of classes by school, school type, and class size as reported on the schedule. We will then trace a sample of 10 classes to the October 1st roll books for those classes and observe that the class was properly classified on the schedule.

Results: Exceptions noted. One (1) out of ten (10) class sizes per the schedule do not match to the total roll books provided by management.

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

3. We will obtain 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 obtain management's representation that the data/listing is complete. We will then select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Results: Exceptions noted. Three (3) of twenty-five (25) individuals' educational levels were not reported correctly. Six (6) of twenty-five (25) individuals' experience were not reported correctly.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We will obtain 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 obtain management's representation that the data/listing is complete. We will then select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Results: Exceptions noted. Twenty-three (23) of twenty-five (25) individuals' salary were incorrectly reported on the June 30, 2023 EdLink 360 Report data. The salary amounts reported to EdLink did not include bonuses and state stipends, which were appropriately reported in the financial statements.

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

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

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

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
January 2, 2024

Norhshore Charter School
Schedule 1 - General Fund Instructional and Support
Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2023

General Fund Instructional and Equipment Expenditures

| | | |
|--|----|-----------|
| Teacher and student interaction activities: | | |
| Classroom teacher salaries | \$ | 2,070,709 |
| Other instructional staff activities | | 348,972 |
| Instructional Staff Employee benefits | | 1,035,565 |
| Purchased professional and technical services | | 17,500 |
| Instructional materials and supplies | | 174,723 |
| Less instructional equipment | | - |
| Total teacher and student interaction activities | \$ | 3,647,469 |
| | | |
| Other instructional activities | | - |
| | | |
| Pupil support activities | \$ | 402,308 |
| Less equipment for pupil support activities | | - |
| Net pupil support activities | | 402,308 |
| | | |
| Instructional Staff Services | \$ | 68,015 |
| Less equipment for instructional staff services | | - |
| Net instructional staff services | | 68,015 |
| | | |
| School Administration | \$ | 943,237 |
| Less: Equipment for School Administration | | - |
| Net School Administration | | 943,237 |
| | | |
| Total general fund instructional expenditures | \$ | 5,061,029 |
| | | |
| Total general fund equipment expenditures | \$ | - |

*Remainder of the BESE Schedule I does not apply to the School.

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 2 - Class Size Characteristics
For the Year Ended June 30, 2023

As of October 1, 2022

| School Type | Class Size Range | | | | | | | |
|----------------------------------|-------------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1-20 | | 21-26 | | 27-33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 32% | 32 | 47% | 47 | 9% | 9 | 12% | 12 |
| Elementary Activity Classes | 33% | 29 | 51% | 45 | 9% | 8 | 8% | 7 |
| Middle/Jr. High | 0% | - | 0% | - | 0% | - | 0% | - |
| Middle/Jr. High Activity Classes | 0% | - | 0% | - | 0% | - | 0% | - |
| High | 0% | - | 0% | - | 0% | - | 0% | - |
| High Activity Classes | 0% | - | 0% | - | 0% | - | 0% | - |
| Combination | 0% | - | 0% | - | 0% | - | 0% | - |
| Combination Activity Classes | 0% | - | 0% | - | 0% | - | 0% | - |

See independent accountants' report on applying agreed-upon procedures.

NORTHSHORE CHARTER SCHOOLS, INC.

111 Walker Street, Bogalusa, LA 70427 (P) 985-732-0005 (F) 985-732-0580

January 2, 2024

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

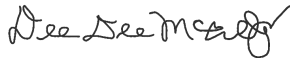
Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to BESE Agreed-Upon Procedures
Northshore Charter School

Dear Sirs:

Northshore Charter School will review policies and procedures in regard to the comments for each schedule of performance and statistical data and make appropriate changes that will improve reporting on each schedule of performance and statistical data that are cost effective and within our budget constraints.

Sincerely,



Dee Dee McCullough
Principal, CEO



Northshore Charter School

STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2023



Carr, Riggs & Ingram, LLC
111 Veterans Boulevard
Suite 350
Metairie, LA 70005

504.837.9116
504.837.0123 (fax)
CRlcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Northshore Charter School
Bogalusa, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. Northshore Charter School's management is responsible for those C/C areas identified in the SAUPs.

Northshore Charter School (the School) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are as follows:

1) *Written Policies and Procedures*

A. Obtain and inspect the School's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the School's operations:

- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Results: No exceptions were found as a result of applying the above procedure.

- ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

Results: No exceptions were found as a result of applying the above procedure.

- iii. **Disbursements**, including processing, reviewing, and approving.

Results: No exceptions were found as a result of applying the above procedure.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: No exceptions were found as a result of applying the above procedure.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Results: No exceptions were found as a result of applying the above procedure.

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: No exceptions were found as a result of applying the above procedure.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were found as a result of applying the above procedure.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were found as a result of applying the above procedure.

- ix. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions were found as a result of applying the procedure.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: Exception noted. The Board only met 9 times during the current fiscal year, which is not in accordance with the School's Articles of Incorporation.

- ii. Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the School's collections during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

- iii. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of applying the procedure.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Results: No exceptions were found as a result of applying the procedure.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Results: No exceptions were found as a result of applying the procedure.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: No exceptions were found as a result of applying the procedure.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions were found as a result of applying the procedure.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

- i. Employees responsible for cash collections do not share cash drawers/registers;

Results: No exceptions were found as a result of applying the procedure.

- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

Results: No exceptions were found as a result of applying the procedure.

- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

Results: No exceptions were found as a result of applying the procedure.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedure.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the procedure.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the procedure.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the procedure.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Results: No exceptions were found as a result of applying the procedure.

v. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions were found as a result of applying the procedure.

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

Results: No exceptions were found as a result of applying the procedure.

- ii. At least two employees are involved in processing and approving payments to vendors;

Results: No exceptions were found as a result of applying the procedure.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

Results: No exceptions were found as a result of applying the procedure.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

Results: No exceptions were found as a result of applying the procedure.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: No exceptions were found as a result of applying the procedure.

- C. For each location selected under procedure #5A above, obtain the School's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe that the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the School, and

Results: No exceptions were found as a result of applying the procedure.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B, as applicable.

Results: No exceptions were found as a result of applying the procedure.

- D. Using the School's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the School's policy, and (b) approved by the required number of authorized signers per the School's policy.

Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of applying the procedure.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions were found as a result of applying the procedure.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

Results: No exceptions were found as a result of applying the procedure.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of applying the procedure.

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Exception noted. One of the ten purchases did not have a receipt.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected

Results: No exceptions were found as a result of applying the procedure.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

Results: No exceptions were found as a result of applying the procedure.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Results: Exception noted. Three of the five reimbursement requests did not include an itemized food receipt.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

Results: No exceptions were found as a result of applying the procedure.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: Exception noted. One of the five reimbursement requests was not reviewed and approved by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

Results: No exceptions were found as a result of applying the procedure.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

Results: No exceptions were found as a result of applying the procedure.

- ii. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

Results: No exceptions were found as a result of applying the procedure.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

Results: No exceptions were found as a result of applying the procedure.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedure.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of applying the procedure.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

Results: No exceptions were found as a result of applying the procedure.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Results: No exceptions were found as a result of applying the procedure.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the School's cumulative leave records; and

Results: No exceptions were found as a result of applying the procedure.

- iv. Observe that the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of applying the procedure.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the School's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to School policy.

Results: No exceptions were found as a result of applying the procedure.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

10) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the School reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the School is domiciled as required by R.S. 24:523.

Results: No exceptions were found as a result of applying the procedure.

- B. Observe that the School has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedure.

11) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i. Obtain and inspect the School's most recent documentation that it has backed up its critical data (if no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

Results: We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the School's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the School's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: No exceptions were found as a result of applying the procedure.

We were engaged by Northshore Charter School to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion of conclusion, respectively, on those C/C areas identified in the SAUPs. 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 Northshore Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement related to our agreed-upon procedures engagement.

The report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
January 2, 2024

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January 2, 2024

Louisiana Legislative Auditor
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And

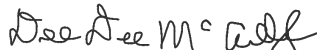
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RE: Management's Response to Statewide Agreed-Upon Procedures
Northshore Charter School

Dear Sirs:

Northshore Charter School will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints.

Sincerely,



Dee Dee McCullough, Principal/CEO