

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

**FINANCIAL REPORT**

June 30, 2022 and 2021

# LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Louisiana Key Academy  
Baton Rouge, Louisiana

### Opinion

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a nonprofit organization) (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 audits. 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, *Government Auditing Standards*, and the *Louisiana Governmental Audit Guide* 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, *Government Auditing Standards*, and the *Louisiana Governmental Audit Guide* 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.

## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. *The accompanying schedule of expenditures of federal awards on page 21, as required by Title 2 U.S. Code of Federal Regulations Part 200 (Uniform Guidance), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.


### ***Other 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 Agency Head on page 20 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included on pages 38 and 39, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). We have applied limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon-Procedures on page 34. However, we did not audit this information and, accordingly, express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, 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 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.

  
Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023

**LOUISIANA KEY ACADEMY**  
Baton Rouge, Louisiana  
**STATEMENTS OF FINANCIAL POSITION**

June 30, 2022 and 2021

(See Independent Auditors' Report)

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,212,396	\$ 1,453,947
Receivables:		
Grants	370,666	62,266
Unconditional promises to give	-	100,000
Total receivables	370,666	162,266
Prepaid assets	34,156	-
Total current assets	1,617,218	1,616,213
<b>PROPERTY AND EQUIPMENT, net</b>	<b>3,503,837</b>	<b>3,844,462</b>
Total assets	<b>\$ 5,121,055</b>	<b>\$ 5,460,675</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 267,788	\$ 133,028
Lines of credit	355,589	1,531,905
Capital lease obligations, current portion	5,583	7,445
Total current liabilities	628,960	1,672,378
<b>LONG-TERM LIABILITIES</b>		
Note payable - Paycheck Protection Program	-	711,708
Capital lease obligations, less current portion	-	6,671
Total long-term liabilities	-	718,379
Total liabilities	628,960	2,390,757
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	4,308,602	2,985,411
Board designated - capital campaign	-	30,000
With donor restrictions	183,493	54,507
Total net assets	4,492,095	3,069,918
Total liabilities and net assets	<b>\$ 5,121,055</b>	<b>\$ 5,460,675</b>

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



**LOUISIANA KEY ACADEMY**  
Baton Rouge, Louisiana

**STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2022 and 2021

(See Independent Auditors' Report)

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUES AND SUPPORT</b>						
Grants:						
State MFP grant	\$ 6,286,546	\$ -	\$ 6,286,546	\$ 5,605,297	\$ -	\$ 5,605,297
Federal grants	846,189	-	846,189	729,663	-	729,663
Other state and local grants	300,000	172,600	472,600	5,000	35,000	40,000
Contributions and events	160,504	-	160,504	235,062	15,058	250,120
Beforecare and aftercare	106,704	-	106,704	57,783	-	57,783
Miscellaneous and other	79,332	-	79,332	37,666	-	37,666
Total revenues and support	<u>7,779,275</u>	<u>172,600</u>	<u>7,951,875</u>	<u>6,670,471</u>	<u>50,058</u>	<u>6,720,529</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>						
Satisfaction of purpose restrictions	43,614	(43,614)	-	153,925	(153,925)	-
Total revenues, support, and net assets released from restrictions	<u>7,822,889</u>	<u>128,986</u>	<u>7,951,875</u>	<u>6,824,396</u>	<u>(103,867)</u>	<u>6,720,529</u>
<b>EXPENSES</b>						
Instructional	4,853,182	-	4,853,182	4,260,729	-	4,260,729
Operations and maintenance	1,209,139	-	1,209,139	1,117,818	-	1,117,818
Food services	335,869	-	335,869	183,499	-	183,499
Fundraising	23,721	-	23,721	18,151	-	18,151
General and administrative	819,495	-	819,495	993,059	-	993,059
Total expenses	<u>7,241,406</u>	<u>-</u>	<u>7,241,406</u>	<u>6,573,256</u>	<u>-</u>	<u>6,573,256</u>
Change in net assets before nonoperating revenues	581,483	128,986	710,469	251,140	(103,867)	147,273
<b>NONOPERATING REVENUES</b>						
Forgiveness of debt - Payroll Protection Program	711,708	-	711,708	-	-	-
Change in net assets	1,293,191	128,986	1,422,177	251,140	(103,867)	147,273
<b>NET ASSETS</b>						
Beginning of year	<u>3,015,411</u>	<u>54,507</u>	<u>3,069,918</u>	<u>2,764,271</u>	<u>158,374</u>	<u>2,922,645</u>
End of year	<u>\$ 4,308,602</u>	<u>\$ 183,493</u>	<u>\$ 4,492,095</u>	<u>\$ 3,015,411</u>	<u>\$ 54,507</u>	<u>\$ 3,069,918</u>

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

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

**STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2022 and 2021

(See Independent Auditors' Report)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,422,177	\$ 147,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	441,407	422,144
Forgiveness of Paycheck Protection Program note payable	(711,708)	-
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(208,400)	108,023
Increase in prepaid assets	(34,156)	-
Increase (decrease) in accounts payable and accrued expenses	<u>134,760</u>	<u>(115,680)</u>
Net cash provided by operating activities	<u>1,044,080</u>	<u>561,760</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(100,782)</u>	<u>(161,992)</u>
Net cash used by investing activities	<u>(100,782)</u>	<u>(161,992)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of lines of credit	(1,176,316)	(505,499)
Payments on capital lease obligation	<u>(8,533)</u>	<u>(40,041)</u>
Net cash used by financing activities	<u>(1,184,849)</u>	<u>(545,540)</u>
Net decrease in cash	(241,551)	(145,772)
<b>CASH</b>		
Beginning of year	<u>1,453,947</u>	<u>1,599,719</u>
End of year	<u>\$ 1,212,396</u>	<u>\$ 1,453,947</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 60,198</u>	<u>\$ 89,565</u>

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

## LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

### STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

(See Independent Auditors' Report)

	<b>Program</b>					<b>Total</b>
	<b>Instructional</b>	<b>Operations and Maintenance</b>	<b>Food Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	
Salaries and wages	\$ 3,500,979	\$ -	\$ -	\$ -	\$ 385,913	\$ 3,886,892
Payroll taxes	256,049	-	-	-	33,320	289,369
Employee benefits	419,492	-	-	-	76,299	495,791
Depreciation	-	441,407	-	-	-	441,407
Materials and supplies	277,344	27,804	-	11,386	89,507	406,041
Rent	-	373,761	-	-	-	373,761
Food and beverage	-	-	335,869	-	-	335,869
Professional services	182,046	-	-	-	133,904	315,950
Repairs and maintenance	-	250,897	-	-	-	250,897
Utilities	-	110,165	-	-	-	110,165
Professional development	63,814	-	-	-	-	63,814
Interest	-	-	-	-	60,198	60,198
Nurse and psychologist	56,491	-	-	-	-	56,491
Insurance	30,621	-	-	-	24,313	54,934
Technology	31,526	5,105	-	-	6,935	43,566
Advertising	-	-	-	12,335	-	12,335
Dues and subscriptions	-	-	-	-	9,106	9,106
Other	34,820	-	-	-	-	34,820
<b>Total expenses</b>	<b>\$ 4,853,182</b>	<b>\$ 1,209,139</b>	<b>\$ 335,869</b>	<b>\$ 23,721</b>	<b>\$ 819,495</b>	<b>\$ 7,241,406</b>

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

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2021

(See Independent Auditors' Report)

	<b>Program</b>				<b>General and Administrative</b>	<b>Total</b>
	<b>Instructional</b>	<b>Operations and Maintenance</b>		<b>Food Services</b>		
Salaries and wages	\$ 3,121,896	\$ -	\$ -	\$ -	\$ 507,478	\$ 3,629,374
Payroll taxes	230,847	-	-	-	36,822	267,669
Employee benefits	351,535	-	-	-	93,530	445,065
Depreciation	-	422,144	-	-	-	422,144
Materials and supplies	158,548	30,171	-	177	119,222	308,118
Rent	-	339,216	-	-	-	339,216
Food and beverage	-	-	183,499	-	-	183,499
Professional services	212,723	-	-	-	98,173	310,896
Repairs and maintenance	-	167,220	-	-	-	167,220
Utilities	-	125,016	-	-	-	125,016
Professional development	46,622	-	-	-	-	46,622
Interest	-	-	-	-	93,734	93,734
Nurse and psychologist	59,832	-	-	-	-	59,832
Insurance	21,922	-	-	-	31,068	52,990
Technology	31,526	34,051	-	-	7,838	73,415
Advertising	-	-	-	17,974	-	17,974
Dues and subscriptions	-	-	-	-	5,194	5,194
Other	25,278	-	-	-	-	25,278
<b>Total expenses</b>	<b>\$ 4,260,729</b>	<b>\$ 1,117,818</b>	<b>\$ 183,499</b>	<b>\$ 18,151</b>	<b>\$ 993,059</b>	<b>\$ 6,573,256</b>

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

# LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

Louisiana Key Academy (the School) was incorporated on June 18, 2012, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the Louisiana Department of Education as a Type 2 charter school with a contract term from July 1, 2014 through June 30, 2018, and may be extended for a maximum term of ten years, contingent upon the results of the School's operations and compliance with regulatory and contractual requirements after the completion of the fourth year of operation. The School's current contract was renewed for an additional three years covering the period of July 1, 2021 through June 30, 2024. The School is a public, tuition free, primary charter school for dyslexic students in first through and eighth grade.

#### **Financial statement presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, which are described as follows:

*Net assets without donor restrictions* - net assets that are not subject to donor-imposed stipulations and are available for use at the School's discretion. Net assets without donor restrictions may be designated for specific purposes by the School's governing authority.

*Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time or include assets to be held in perpetuity with income earnings on the related investments to be used for general or specific purposes. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The statements of activities and functional expenses presents expenses of the School's operations functionally between instructional, operations and maintenance, food services, fundraising, and general and administrative.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, grants receivables, personal time off, and allocation of functional expenses..

### **Revenue recognition and receivables**

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the Louisiana State Board of Elementary and Secondary Education (BESE). The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. Other funding sources of the School are related to federal funds that are provided through the Louisiana Department of Education. These federal funds are solicited based on the needs of the School each year. The revenue is recognized when the School requests reimbursement from the Louisiana Department of Education.

Private sector funding consists of donations from private foundations and individuals. Contributions and events are recognized at estimated fair value when the donor makes a pledge to give that is, in substance, an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met. A promise to give that calls for specific outcomes to be achieved is treated as a conditional promise to give. Contributions are recorded as support with or without donor restrictions, depending on the nature of donor restrictions.

Before and aftercare revenues relate to the School providing care and tutoring to students of the School. The School recognizes revenue for before and aftercare as services are provided (point-in-time). There are no receivables related to before and aftercare revenues.

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. The School had no receivables outstanding for longer than 90 days as of June 30, 2022 and 2021, respectively. Unconditional promises to give are recorded at present value. There were no receivables related to contracts with customers as of June 30, 2022 and 2021, respectively, and no receivable balances as of July 1, 2020.

### **Fair value financial instruments**

The carrying value of cash, receivables, prepaid assets, accounts payable, accrued expenses, and the lines of credit approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash**

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in a local bank that may, at times, exceed FDIC insured limits of \$250,000. The School deposits cash funds in high quality institutions to mitigate the risk due to uninsured exposure. The School's uninsured exposure was \$963,747 and \$1,117,724 at June 30, 2022 and 2021, respectively.

**Property and equipment**

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. A capitalization threshold of \$5,000 has been established. Expenses for maintenance, repairs and minor renewals that do not extend the useful life of the asset are expensed as incurred.

**Personal time off**

The School's its personal time off (PTO) policy only allows administrative employees and program coordinators the privilege of carrying forward PTO and receiving payout upon separation from the School. The School's policy states that full-time regular, salaried employees with at least one month of service are awarded the benefit of PTO. Administrative employees and program coordinators may carry forward PTO from year to year, although no more than 15 days of accrued PTO will be considered for payout in the event of an employee separation from the School.

PTO is awarded as follows:

Employee Service Lives	PTO Days Per Year	
	Instructional Personnel	Administrative and Program Coordinators
One month but less than one year	5	5
One year or more	10	10
Annual carryover limit	-	Unlimited

A PTO liability of \$27,044 and \$22,112 has been recorded at June 30, 2022 and 2021, respectively, and reported under accrued expenses in the statement of financial position.

**Functional expenses**

The financial statements report certain expense categories that are attributable to more than one service or support function. Program service expenses, fundraising, and management and general expenses are based on specific identification of the direct costs. Costs not directly attributable to a function, such as technology and other occupancy costs, are allocated to general and administrative expenses. Salaries are allocated based on estimated time spent for each function.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-exempt status**

The School is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The School's open audit periods are 2019 through 2022.

**Recently adopted accounting standards**

As of July 1, 2021, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The School's adoption of ASU No. 2020-07 did not result in any adjustments to their financial statement presentation.

**NOTE 2 - PROMISES TO GIVE**

Unconditional promises to give are recorded at present value. At June 30, 2022, there were none. At June 30, 2021, the value of promises to give were \$100,000.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property, related service lives, and accumulated depreciation at June 30, 2022 and 2021 were as follows:

	Estimated Service Lives	2022	2021
Leasehold improvements	15	\$4,940,627	\$4,859,597
Playground equipment	10	83,275	83,278
Equipment	5 - 7 years	523,759	504,004
		5,547,661	5,446,879
Less accumulated depreciaiton		(2,043,824)	(1,602,417)
Property and equipment, net		\$3,503,837	\$3,844,462

Depreciation expense was \$441,407 and \$422,144 for the years ended June 30, 2022 and 2021, respectively.

**Capital lease obligations**

As of June 30, 2022 and 2021, the School has equipment acquired through capital leases with a cost of \$124,599. As of June 30, 2022 and 2021, the capitalized equipment has a corresponding accumulated depreciation of \$93,392 and \$68,472, respectively. Depreciation expense for these assets was \$24,920 and \$24,919 for the years ended June 30, 2022 and 2021, respectively.



#### **NOTE 4 - LINES OF CREDIT**

The School has a revolving line of credit with a borrowing limit of \$400,000. Interest is payable monthly at a rate of LIBOR plus 2.75%, which was 3.95% at June 30, 2022. For the year ended June 30, 2021, the interest was payable monthly at a rate of LIBOR plus 2.25%, which was 2.35% at June 30, 2021. The outstanding balance on the line of credit was \$350,141 and \$414,952 at June 30, 2022 and 2021, respectively. This debt is secured by amounts held in the name of a local supporter at the financial institution. See Note 12.

The School entered into a revolving line of credit with a borrowing limit of \$1,000,000 with an original maturity date of April 2021. The line of credit was renewed in August 2021 with a limit of \$773,744 and maturity date of August 2022. It is collateralized by the accounts held at the financial institution. Interest is payable monthly at a rate of 6.00% at June 30, 2022 and 2021. There was no outstanding balance at June 30, 2022. The outstanding balance on the line of credit was \$773,744 at June 30, 2021. The line of credit was not renewed upon maturity.

The School had a revolving line of credit with a borrowing limit of \$100,823. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 3.25% and 5.50%, plus 1.00. The outstanding balance on the line of credit was \$75,000 as of June 30, 2020. This line of credit was paid in full in September 2020 and matured on November 20, 2020, without renewal. This debt was secured by a certificate of deposit held in the name of a local supporter at the financial institution.

The School had a revolving line of credit with a borrowing limit of \$500,000. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate plus a 5.00% floor, which was 5.00% at June 30, 2022 and 2021. The outstanding balance on the line of credit was \$0 and \$343,209 at June 30, 2022 and 2021, respectively. On June 6, 2021, the line of credit was renewed with a new maturity of May 22, 2022. This debt is unsecured and was not renewed.

#### **NOTE 5 - LONG-TERM LIABILITIES**

##### **Coronavirus Aid, Relief and Economic Security Act Funding (CARES Act)**

###### *Paycheck Protection Program (PPP)*

On April 3, 2020, the School received loan proceeds in the amount of \$711,708 under the PPP. The PPP, established as a part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying businesses. The loans and accrued interest may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, certain employee benefits, rent and utilities, and maintains certain payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries. At June 30, 2021, the School has a note payable balance of \$711,708 for the PPP loan.

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**Coronavirus Aid, Relief and Economic Security Act Funding (CARES Act)  
(Continued)**

*Paycheck Protection Program (PPP) (continued)*

On August 25, 2021, the School met the requirements for the Paycheck Protection Program (PPP) note payable to be fully forgiven under the guidelines of the PPP, the forgiveness amount was certified by the SBA and the loan was forgiven in its entirety, including accrued interest. The forgiven PPP loan is presented in other income in the statements of activities.

**Capital lease obligations**

The School's capital lease obligations for technology equipment at June 30, 2022 and 2021 are as followed:

	2022	2021
Capital lease obligation of \$29,017, due in monthly installments of \$691 including interest of 6.9% through June 16, 2023. The lease is secured by equipment.	<u>\$ 5,583</u>	<u>\$ 14,116</u>

Future maturities of long-term debt are \$5,583 for the fiscal year ended June 30, 2023.

**NOTE 6 - NET ASSETS**

**Net assets without donor restrictions**

Net assets without donor restrictions at June 30, 2022 and 2021 were as follows:

	2022	2021
Undesignated	\$ 4,331,202	\$ 2,985,411
Board designated - capital campaign	-	30,000
Total	<u>\$ 4,331,202</u>	<u>\$ 3,015,411</u>

Board designated net assets are comprised of funds designated by the Board of Directors for capital campaign purposes which will be used to fund the School's building renovations.

**NOTE 6 - NET ASSETS (CONTINUED)**

**Net assets with donor restrictions**

During 2022 and 2021, changes in donor restricted net assets subject to satisfaction of purpose restrictions were as follows:

	<u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
STEAM - Lamar Foundation	\$ -	\$ 150,000	\$ -	\$ 150,000
Wilson Kitchen Lab	-	22,600	-	22,600
Drama Program	6,943	-	-	6,943
Robotics	35,000	-	31,050	3,950
Summer Pilot Program	7,917	-	7,917	-
STEM	4,487	-	4,487	-
Academic Lab Program	160	-	160	-
Total	<u>\$ 54,507</u>	<u>\$ 172,600</u>	<u>\$ 43,614</u>	<u>\$ 183,493</u>

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Robotics	\$ -	\$ 35,000	\$ -	\$ 35,000
Summer Pilot Program	8,289	-	372	7,917
Drama Program	6,943	-	-	6,943
STEM	8,887	-	4,400	4,487
Academic Lab Program	7,440	-	7,280	160
Capital Campaign - Renovations	89,415	15,058	104,473	-
Student laptops	37,400	-	37,400	-
Total	<u>\$ 158,374</u>	<u>\$ 50,058</u>	<u>\$ 153,925</u>	<u>\$ 54,507</u>

**NOTE 7 - CONCENTRATIONS**

The School receives the majority of its operating revenue from state and federal grants, and contributions from private foundations and individuals. The remaining revenue is received for meal services and reimbursement for after-school care. The percentage of revenue from these sources is as follows:

	<u>Revenue</u>	
	<u>2022</u>	<u>2021</u>
State and local grants	85%	84%
Federal grants	11%	11%
Contributions and events	2%	4%
Miscellaneous and other	2%	1%
Total	<u>100%</u>	<u>100%</u>

**NOTE 7 - CONCENTRATIONS (CONTINUED)**

Accounts receivable is made up of grants receivable and pledges from private foundations and individuals. Grants receivable as of June 30, 2022 is comprised of receivables from the Louisiana Department of Education in the amount of \$320,666 (86%), and \$50,000 from a private foundation (14%). Grants receivable as of June 30, 2021 is comprised of receivables from the Louisiana Department of Education in the amount of \$62,266. There are no pledges receivable as of June 30, 2022; all pledges receivable as of June 30, 2021, were derived from one donor.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Grants**

The School receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

**Building Lease**

The School has extended its lease agreement in February 2019 for school space. The lease expires in July 2024. Lease payments are based on 41,801 square feet of occupancy of the premises. The annual rental rate is \$4.50 per square foot for units No. 1 – 5 (26,809 square feet) and \$7.00 per square foot for units No. 6 – 10 (14,992 square feet). All units have an increase in price per square foot of \$0.50 each August. Additionally, the rental payment each month includes \$4,668 of common area expenses for maintenance, taxes and insurance. Rental expense under the lease for 2022 and 2021 was \$279,046 and \$277,440 annually, respectfully.

The future operating lease agreement commitments are as follows:

Fiscal Year Ending June 30,	Amount
2023	\$ 299,950
2024	345,428
2025	<u>29,117</u>
Total	<u>\$ 674,495</u>

The lease has an option to be extended for two immediately successive periods of five years each upon the same terms, covenants and conditions of the current lease agreement.

**Suits and Claims**

Various suits and claims arising in the ordinary course of operations are pending against the School. The majority of the cases are either covered by insurance or other defenses; however, the ultimate effect of such litigation cannot be ascertained at this time. However, the School has not recorded the estimated liability for the potential exposure for claims which were not considered to be measurable and probable.

**NOTE 9 - RETIREMENT PLAN**

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$20,500 annually for calendar year 2022. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable.

The School makes contributions to the Plan for employees with a written employment contract and in the amount stipulated by the contract, which is in accordance with the plan document. Contributions by the School totaled \$111,545 and \$108,200 for 2022 and 2021, respectively.

The assets are held in a trust fund established under the Plan. The Plan is administered by Voya Retirement Insurance and Annuity Company (formerly operating as ING).

**NOTE 10 - FUNDRAISING INCOME AND EXPENSES**

The funds raised by the School's gala are included in operations and totaled \$56,623 and \$35,217 for 2022 and 2021, respectfully. The expenses attributable to the annual gala were \$9,240 and \$177 for 2022 and 2021, respectfully.

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the School's financial assets as of June 30, 2022 and 2021, excluding amounts not available for general use within one year of the balance sheet date due to contractual or donor-imposed restrictions or internal designations.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Cash	\$ 1,212,396	\$ 1,453,947
Receivables	370,666	162,266
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor imposed restrictions	<u>(183,493)</u>	<u>(54,507)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,399,569</u>	<u>\$ 1,561,706</u>

As part of the School's liquidity management, the School maintains sufficient cash funds during the year attributable to the annual cash receipts from federal, state, and local grants, contributions from foundations and individuals, and utilizing the available lines of credit balances.

**NOTE 12 - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through January 3, 2023, which is the date the financial statements were available for issuance.

After June 30, 2022, the line of credit with a borrowing limit of \$400,000 had withdrawals in the amount of \$326,416 through January 3, 2023. Interest for the unpaid amount is payable monthly at a rate of LIBOR plus 2.25%. This debt is secured by assets of the School.

On August 16, 2022 the School began operating a new Type 2 charter school in St. Tammany Parish called Louisiana Key Academy Northshore and is being operated by Louisiana Key Academy.

## **SUPPLEMENTARY INFORMATION**

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO AGENCY HEAD**

For the year ended June 30, 2022

**Agency Head: Heather Bourgeois, Principal**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 95,676
Benefits - insurance	6,673
Benefits - retirement	9,568
Reimbursements	<u>551</u>
	<u>\$ 112,468</u>



**SINGLE AUDIT SECTION**

## LOUISIANA KEY ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Baton Rouge, Louisiana

For the year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures (\$)
<b>U.S. Department of Agriculture</b>			
Passed through the Louisiana Department of Education/Child Nutrition Cluster			
School Breakfast Program	10.553	Unavailable	89,496
National School Lunch Program	10.555	Unavailable	301,926
Summer Food Service Program for Children	10.559	U6810628.2021	<u>2,890</u>
Total Child Nutrition Cluster*			394,312
Passed through the Louisiana Department of Education			
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	Unavailable	<u>614</u>
Total Department of Agriculture			<u>394,926</u>
<b>U.S. Department of Education</b>			
Passed through the Louisiana Department of Education / Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	U6810631.2021 / U6810631.2122	215,378
Passed through the Louisiana Department of Education			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	U6810015.2021	54,894
Title I Grants to Local Educational Agencies	84.010	Unavailable	<u>180,991</u>
Total Department of Education			<u>451,263</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 846,189</u></u>

\* Major Program

# LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2022

### NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity for the School under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School. All federal financial assistance received directly from federal agencies is included on the Schedule, as well as federal financial assistance passed through other agencies.

### NOTE 2 - BASIS OF ACCOUNTING

The School's Schedule is presented using the accrual basis of accounting, which is described in Note 1 to the School's financial statements for the year ended June 30, 2022. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE 3 - INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost as allowed under the Uniform Guidance.

### NOTE 4 - RELATIONSHIP TO THE FEDERAL REPORTS

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

### NOTE 5 - NONCASH ASSISTANCE

The School did not receive any federal noncash assistance for the year ended June 30, 2022.

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**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  
Louisiana Key Academy  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 **LOUISIANA KEY ACADEMY** (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2023.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and question costs as items 2022-002 and 2022-003 to be material weaknesses.

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. We consider the deficiency in internal control described in the accompanying schedule of findings and question costs as item 2022-001 to be a significant deficiency.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items, 2022-001, 2022-002, and 2022-003.

## **The School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response on page 33 was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Louisiana Key Academy  
Baton Rouge, Louisiana

**Report on Compliance for the Major Federal Program**

***Qualified Opinion on U.S. Department of Agriculture Child Nutrition Cluster***

We have audited **LOUISIANA KEY ACADEMY'S** (the School) (a nonprofit organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal program for the year ended June 30, 2022. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on U.S. Department of Agriculture Child Nutrition Cluster for the year ended June 30, 2022.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on U.S. Department of Agriculture Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding U.S. Department of Agriculture Child Nutrition Cluster as described in our finding numbers 2022-002 for Special Tests and Provisions and 2022-003 for Activities Allowed or Unallowed, Allowable Costs, and Reporting.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023

# LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2022

### 1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiency in internal control were disclosed by the audit of financial statements: **2022-001.**

Material weaknesses: **2022-002 and 2022-003.**

- C) Noncompliance that is material to the financial statements: **2022-002 and 2022-003.**
- D) Significant deficiencies in internal control over major programs: **2022-001.**

Material weaknesses: **2022-002 and 2022-003.**

- E) The type of report issued on compliance for major programs: **Qualified opinion.**
- F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): **2022-001, 2022-002, and 2022-003.**

#### G) Identification of Major Programs:

##### **U.S. Department of Agriculture**

Louisiana Department of Education/Child Nutrition Cluster

- |   |                 |
|---|-----------------|
| 1) School Breakfast Program                 | C.F.D.A. 10.553 |
| 2) National School Lunch Program            | C.F.D.A. 10.555 |
| 3) Summer Food Service Program for Children | C.F.D.A. 10.559 |

- H) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**

- I) Auditee qualified as low-risk auditee: **No.**

### 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2022-001, 2022-002, and 2022-003.**

3) **FINDINGS – FINANCIAL STATEMENT FINDINGS**

See Findings 2022, 001, 2022-002, and 2022-003 in Section (4) Findings – Federal Award Findings and Questioned Costs.

4) **FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2022-001: Internal Control Over Compliance of Special Tests and Provisions – Non-Profit School Food Service Accounts**

**Title and CFDA Number of the Federal Program:** CFDA 10.553 School Breakfast Program, CFDA 10.555 National School Lunch Program, and 10.559 Summer Food Service Program for Children

**Year Finding Originated:** 2022

**Compliance Requirement:** Special Tests and Provisions

**Name of Federal Agency:** Department of Education

**Pass-through Agency:** Louisiana Department of Education

**Questioned Costs:** No questioned costs noted.

**Condition:** There are not effective internal controls over the accounting of the school food service program, as required by Uniform Guidance.

**Criteria:** The School must design and implement internal controls to provide reasonable assurance regarding the reliability and maintenance of recordkeeping for the school food service program.

**Cause:** Controls over the compliance requirement of special tests and provisions – non-profit school food service accounts were not designed and implemented appropriately. Funds received and disbursed for the food service program were comingled and not separately accounted for.

**Effect:** Lack of controls over this compliance requirement impacted compliance.

**Recommendation:** Management should use the food service bank account for all food service transactions. Specifically, funds received and disbursed for food service activities should be deposited directly into the food service bank account and likewise all expenses for food services should be paid out of the food service bank account.

**Management’s Corrective Action Plan:** See page 33 for management’s corrective action plan

4) **FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2022-002: Compliance of Special Tests and Provisions – Non-Profit School Food Service Accounts**

**Title and CFDA Number of the Federal Program:** CFDA 10.553 School Breakfast Program, CFDA 10.555 National School Lunch Program, and 10.559 Summer Food Service Program for Children

**Year Finding Originated:** 2022

**Compliance Requirement:** Special Tests and Provisions

**Name of Federal Agency:** Department of Education

**Pass-through Agency:** Louisiana Department of Education

**Questioned Costs:** No questioned costs noted.

**Condition:** The School did not credit account for the food service account appropriately during the year.

**Criteria:** As described in 2 CFR sections 210.14(a), 210.14(c), 210.19(a)(2), 215.7(d)(1), 220.2, and 220.7(e)(1)(i), the School must operate its food services on a non-profit basis; all revenue generated by the School food service must be used to operate and improve its food services.

**Cause:** The School did not appropriately maintain its food service accounting records.

**Effect:** The School was not in compliance with this program’s special test and provision compliance requirement.

**Recommendation:** Management should use the food service bank account for all food service transactions. Specifically, funds received and disbursed for food service activities should be deposited directly into the food service bank account and likewise all expenses for food services should be paid out of the food service bank account.

**Management’s Corrective Action Plan:** See page 33 for management’s corrective action plan

**2022-003: Internal Control over Compliance Requirements**

**Title and CFDA Number of the Federal Program:** CFDA 10.553 School Breakfast Program, CFDA 10.555 National School Lunch Program, and 10.559 Summer Food Service Program for Children

**Year Finding Originated:** 2022

**Compliance Requirement:** Activities Allowed or Unallowed; Allowable Costs; Reporting

4) **FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2022-003: Internal Control over Compliance Requirements (Continued)**

**Name of Federal Agency:** Department of Education

**Pass-through Agency:** Louisiana Department of Education

**Questioned Costs:** No questioned costs noted.

**Condition:** There are not effective internal controls over the documentation and recordkeeping of the daily reimbursable meal count forms.

**Criteria:** The School must design and implement internal controls to ensure amounts paid for meals to third party food service providers are corroborated by the school's food service administrators and documented consistently.

**Cause:** During the course of our audit, we selected 51 school days out of a sample population of 182 school days to test the School's internal control over compliance for activities allowed or unallowed, allowable costs, and reporting. Of the school days tested, 34 out of 51 school days did not have sufficient documentation or recordkeeping notating review and approval of student meals served by food service program administrators. Furthermore, the results of our tests indicated that the controls over the documentation and recordkeeping of daily reimbursable meal count forms were not consistently implemented. Our sampling was a statistically valid sample.

**Effect:** Lack of controls over documentation and recordkeeping does not ensure compliance requirements will be met.

**Recommendation:** Management should design, implement, and document policies and procedures to ensure all documentation and records used in the claims and review process is maintained on file for a period of no less than three years.

**Management's Corrective Action Plan:** See page 33 for management's corrective action plan

**LOUISIANA KEY ACADEMY**  
Baton Rouge, Louisiana

**SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

For the year ended June 30, 2022

**2021-001 Minimum Foundation Program (MFP) Student Eligibility**

This finding is considered resolved.



January 3, 2022

In your audit report for the annual audit of Louisiana Key Academy (the School) for the year ended June 30, 2022, you reported findings related to internal controls and compliance. Below are the School's responses to those findings.

**Finding 2022-001 Internal Control Over Compliance of Special Tests and Provisions – Non-Profit School Food Service Accounts**

View of responsible official: The School agrees to solely use the food service bank account for all revenues and expenses related to the food service program. The School will begin the process of transitioning bank information to respective vendors and governmental agencies to ensure the monies received for the food service program are deposited into the account and expenses for the food service program are paid directly out of this account.

**Contact person:** Troy Jones, Finance Director  
**Expected implementation date:** February 2023

**Finding 2022-002 Compliance of Special Tests and Provisions – Non-Profit School Food Service Accounts**

View of responsible official: See response above to finding 2022-001, the School believes this shall also resolve Finding 2022-002.

**Contact person:** Troy Jones, Finance Director  
**Expected implementation date:** February 2023

**Finding 2022-003 Internal Control over Compliance Requirements**

View of responsible official: The School concurs with the auditors' recommendation. The School will ensure all data used in the claims and review process is maintained for a minimum of three years.

**Contact person:** Troy Jones, Finance Director  
**Expected implementation date:** February 2023

Respectfully submitted,

  
Troy Jones, Finance Director

**SCHEDULES REQUIRED BY STATE LAW**

**(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**



**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
Louisiana Key Academy  
Baton Rouge, Louisiana

Dear Board Members:

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of **LOUISIANA KEY ACADEMY** (the School) as of year ended June 30, 2022, and to determine whether the specified schedules are free of obvious errors and omissions, in compliance Louisiana Revised Statute 24:514 I. The School's management is responsible for its performance and statistical data.

The School has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of this 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 findings are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - Total General Fund Instructional Expenditures
  - Total General Fund Equipment Expenditures
  - Total Local Taxation Revenue
  - Total Local Earnings on Investment in Real Property
  - Total State Revenue in Lieu of Taxes
  - Nonpublic Textbook Revenue
  - Nonpublic Transportation Revenue

**Exceptions Noted:** For 6 of the 25 transactions sampled, we could not determine if the transactions were classified correctly. For 1 of the 25 transactions sampled, the amount of \$476 did not agree to the invoice.

## **Schedule B-2: Class Size Characteristics**

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1<sup>st</sup> roll books for those classes and observed that the class was properly classified on the schedule.

Exceptions Noted: The School only maintains roll books for homeroom classes which were not reflected in our sample selections. Therefore, for 10 of the 10 classes selected in our sample, we could not observe if the class was properly classified on the schedule.

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

3. We obtained October 1<sup>st</sup> PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected 25 individuals, traced to each individuals' personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Exceptions Noted: For 16 individuals, we were not able to ascertain the individuals' education levels to supporting documentation. For 12 individuals, we were not able to ascertain individuals' years of experience to supporting documentation.

## **Public School Staff Data: Average Salaries (NO SCHEDULE)**

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Exceptions Noted: For the 25 individuals selected, we were not able to ascertain the salary, extra compensation, and full-time equivalent amounts included in the PEP data to supporting documentation.

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 AICPA. 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 the 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.

*Faulk & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023

# **LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

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

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

### **Schedule B-2 - Class Size Characteristics**

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

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

## General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

For the year ended June 30, 2022

**General Fund Instructional and Equipment Expenditures****General Fund Instructional Expenditures:**

## Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 2,819,551	
Other Instructional Staff Activities	17,913	
Instructional Staff Employee Benefits	685,790	
Purchased Professional and Technical Services	66,444	
Instructional Materials and Supplies	204,918	
Instructional Equipment	<u>-</u>	
Total Teacher and Student Interaction Activities		3,794,616
Other Instructional Activities	<u>124,955</u>	124,955
Pupil Support Activities	207,500	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		207,500
Instructional Staff Services	61,094	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		61,094
School Administration	750,707	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>750,707</u>

Total General Fund Instructional Expenditures	<u>\$ 4,938,872</u>
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Total General Fund Equipment Expenditures	<u>\$ -</u>
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**Certain Local Revenue Sources**

## Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	<u>-</u>	
Total Local Taxation Revenue		<u>-</u>

## Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-	
Earnings from Other Real Property	<u>-</u>	
Total Local Earnings on Investment in Real Property		<u>-</u>

## State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	<u>-</u>	
Total State Revenue in Lieu of Taxes		<u>\$ -</u>

Nonpublic Textbook Revenue	<u>\$ -</u>
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Nonpublic Transportation Revenue	<u>\$ -</u>
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See independent accountants' report on applying agreed-upon procedures.

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

## Class Size Characteristics

As of October 1, 2022

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	92%	141	8%	13	-	-	-	-
Elementary Activity Classes	71%	34	25%	12	4%	2	-	-
Middle/Jr. High	96%	45	4%	2	-	-	-	-
Middle/Jr. High Activity Classes	86%	43	14%	7	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

**Note:** The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures**

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

For the year ended June 30, 2022

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
Louisiana Key Academy  
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The School's management is responsible for those C/C areas identified in the SAUPs.

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, 2021 through June 30, 2022. 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 schedule of exceptions are as follows:

***Written Policies and Procedures:***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b. ***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.
  - c. ***Disbursements***, including processing, reviewing, and approving.
  - d. ***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).
  - e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.



- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j. **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **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.
- l. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

***Board (or Finance Committee, if applicable):***

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- 2. Obtain and inspect the board/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:
  - a. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
  - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

***Bank Reconciliations:***

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3. Obtain a listing of client bank accounts 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. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b. Bank reconciliations include evidence that a member of management/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
  - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

***Collections:***

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4. 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).
5. 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 (i.e. 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, 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:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. 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.
  - c. 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.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (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). *Alternately, 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:
  - a. Observe that receipts are sequentially pre-numbered.
  - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c. Trace the deposit slip total to the actual deposit per the bank statement.
  - d. Observe 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).
  - e. Trace the actual deposit per the bank statement to the general ledger.

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

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8. 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).
9. For each location selected under #8 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b. At least two employees are involved in processing and approving payments to vendors.
  - c. 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.
  - d. 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.
10. For each location selected under #8 above, obtain the entity’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:
  - a. Observe that the disbursement matched the related original invoice/billing statement.

- b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***Credit Cards/Debit Cards/Fuel Cards/P-Cards:***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.
12. 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:
  - a. Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 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 (i.e. each card should have 10 transactions subject to testing). 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).

***Travel and Travel-Related Expense Reimbursement (excluding card transactions):***

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14. 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, 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:
  - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c. 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 policy (procedure #1h).
  - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***Contracts:***

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15. 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. 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:
  - a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d. 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.

***Payroll and Personnel:***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - d. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee and officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

***Ethics:***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

***Debt Service (excluding nonprofits):***

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21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

***Fraud Notice:***

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23. 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 entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity 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.

***Information Technology Disaster Recovery/Business Continuity:***

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25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b. Obtain and inspect the entity’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.
  - c. Obtain a listing of the entity’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.

***Sexual Harassment:***

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26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a. Number and percentage of public servants in the agency who have completed the training requirements;
  - b. Number of sexual harassment complaints received by the agency;
  - c. Number of complaints which resulted in a finding that sexual harassment occurred;
  - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e. Amount of time it took to resolve each complaint.

# LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

## SCHEDULE OF EXCEPTIONS

For the year ended June 30, 2022

### ***Exceptions:***

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No exceptions were found as a result of applying the procedures listed above, except as follows:

### ***Written Policies and Procedures:***

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**1 (k)** The School does not have policies regarding IT disaster/recovery.

### ***Bank Reconciliation:***

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**3 (a)** Of the three bank accounts tested, one did not include evidence that the bank reconciliation was prepared within 2 months of the statements closing date.

**3 (b)** Of the three bank accounts tested, none included evidence that each bank reconciliation was reviewed by a member of management or a board member who did not handle cash.

### ***Collections:***

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**7 (d)** Of the three deposits selected, no deposits had documentation noting they were made within one business day of receipt at the collection location.

### ***Non-Payroll Disbursements:***

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**9 (c)** The employee that is responsible for processing payments can also add and modify vendor files.

### ***Credit Cards:***

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**12 (a)** The School only maintains one bank debit card. Of the month selected for testing, one of the ten selected disbursements did not have documentation that the disbursement was approved or reviewed.

### ***Payroll and Personnel:***

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**17 (d)** For two of the five employees selected, documentation for authorized salary/ pay rate was not maintained in the personnel files. Documentation not included in the personnel files was provided to ascertain the authorized pay rates.

### ***Ethics:***

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**20 (a)** Of the five employees selected, two of the employees did not complete one hour of ethics training during the fiscal year.



***Sexual Harassment:***

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26 Of the five employees selected, none of the employees completed sexual harassment training during the fiscal year.

28 (a) (b) (c) (d) (e) The School did not complete a report on annual sexual harassment reporting.

***Management's Response***

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The Board of Directors of the Louisiana Key Academy concurs with the exceptions and are working to address the exceptions identified.

We were engaged by **LOUISIANA KEY ACADEMY** 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 or 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 **LOUISIANA KEY ACADEMY** 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 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.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023

**LOUISIANA KEY ACADEMY**

Baton Rouge, Louisiana

**MANAGEMENT LETTER**

June 30, 2022

To the Board of Directors  
Louisiana Key Academy  
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of **LOUISIANA KEY ACADEMY** (the School) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We have also reported on the School's internal control in our report dated January 3, 2023. This letter does not affect our report dated January 3, 2023 on the financial statements of the School.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various School personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations. Our comments are summarized on Attachment A.

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

  
Certified Public Accountants

Baton Rouge, Louisiana  
January 3, 2023

**OPERATIONAL RECOMMENDATIONS  
OR 2022-001 STUDENT FILE DOCUMENTATION**

**Observation:** During the audit of the financial statements, certain tests were performed over the School's compliance with its charter agreement and moreover, its compliance with minimum foundation program (MFP) reporting requirements. During our tests, it was noted that the School's student files were not consistent in the documentation the files contained.

**Recommendation:** We recommend the School develop processes and procedures to ensure student files are consistent with the documentation they contain. Specifically, student files should contain, at minimum, the following:

- Student application and registration forms,
- Student residency information,
- Student academic and attendance records,
- Any other required documentation, as outlined by the Louisiana Department of Education.

In developing these processes and procedures, the School may consider creating a checklist that is kept with the student files to ensure all items required by the Department of Education and by School management are maintained and logged.

**Management's response:** Management agrees with the recommendation above. Management will develop processes and procedures to ensure student files contain the required documentation consistently.

**OR 2022-002 R.S.24:514 PERFORMANCE AND STATISTICAL DATA**

**Observation:** During the performance agreed-upon procedures engagement, procedures were performed over the School's compliance with its reporting of the School's performance and statistical data to the Louisiana Department of Education (the State). In performing these procedures, we found that sufficient documentation was not able to be provided to support the amounts remitted to the State, specifically for the following areas:

1. Schedule B-1: General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (the Schedule)
  - a. Reconciliation of amounts reported in the Schedule to amounts recorded in the School's financial statement were not able to be provided.
2. Education levels and experiences of Public School Staff
  - a. Information concerning employee education and experience in individual personnel files did consistently agree to what was reported to the State or sufficient documentation was unavailable.
3. Public School Staff Data: Average Salaries
  - a. The salary and compensation data we received did not agree to the amounts reported to the State. Moreover, we were not provided the specific source document(s) or information that was used to compile the information that was remitted to the State.

**Recommendation:** We recommend the School implement policies and procedures that address and outline annual reporting requirements to the State, including the source and retention of such information. Additionally, the policies should address these specific areas:

1. Schedule B-1: General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
  - a. Documentation should be maintained to support amounts remitted to the State that reconcile to underlying accounting data. Specifically, documentation should identify which general ledger accounts are reported in specific line items on the schedule. Furthermore, this documentation should be prepared on a timely basis and before the Schedule is submitted to the State.
2. Education levels and experiences of Public School Staff
  - a. A program/checklist should be created that outlines the policies and procedures required to obtain relevant education and experience information from instructional staff that is supported by documentation in personnel files. The data reported to the State must be supported by documentation in each individual's personnel file. This program/checklist can be implemented during the onboarding of new staff to ensure future staff information is documented.
3. Public School Staff Data: Average Salaries
  - a. Documentation should be used to support information remitted to the State concerning the salary and extra compensation that is calculated for instruction staff. Documentation should include instructions that outline where information is compiled from (source documents) and what information is to be included. Additionally, the supporting data used to compile the information should be stored with the documents.

Lastly, the documentation and checklists recommended above should be stored on the School's network servers where this data can be backed up and accessed by authorized individuals within the School. Additionally, these policies and procedures should include a review function, where the information is reviewed by an individual other than the preparer before submission to the State. The implementation of these policies and procedures provides structure and guidance to employees, especially in the event of employee turnover or absenteeism.

**Management's Response:** Management agrees with the recommendation above. The School will coordinate with the current administrative staff to develop a practical approach to accomplish the areas listed above.