
SOUTH LOUISIANA CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2022

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

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TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 16
<u>SUPPLEMENTAL SCHEDULES</u>	
Combining Statement of Financial Position	17
Combining Statement of Activities and Changes in Net Assets	18
South Baton Rouge Charter Academy Statement of Functional Expenses	19
Iberville Charter Academy Statement of Functional Expenses	20
Combining Statement of Financial Position to Fund Balance Reconciliation	21
Changes in the Combining Statement of Activities and Changes in Net Assets to Changes in Fund Balance	22
Schedule of Compensation, Benefits and Other Payments to Board President	23
<u>OTHER REPORTS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i> AND BY THE U.S. OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	26 - 28

TABLE OF CONTENTS

(continued)

Schedule of Expenditures of Federal Awards and Notes	29 - 30
Schedule of Findings and Questioned Costs	31 - 35
Schedule of Prior Year Findings and Questioned Costs	36
Corrective Action Plan – Federal Programs	

OTHER REPORTS

Independent Accountants' Report on Applying Agreed Upon Procedures	37- 39
Supplemental Schedules on Performance and Statistical Data	40 - 42
Management Responses to Agreed – Upon Procedures	

INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of the South Louisiana Charter Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Related Party Transactions

As discussed in notes 7, 8 and 9 to the financial statements, the Foundation has disclosed significant related party transactions associated with a management contract, building leases and educational services related to the learning pods. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, South Baton Rouge Charter Academy statement of functional expenses, Iberville Charter Academy statement of functional expenses, combining statement of financial position to fund balance reconciliation, changes in the combining statement of activities and changes in net asset to changes in fund balance, schedule of compensation, benefits and other payments to board president presented on pages 17-23, as well as the schedule of expenditures of federal awards and related notes presented on pages 29-30, required by Uniform Guidance, are presented for purposes of additional analysis and are 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 supplemental information on pages 17-23 and the schedule of federal awards and related notes on pages 29-30 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2023

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS:

Cash	\$ 1,163,129
Cash - restricted	29,092
Grants receivable	1,174,130
Prepaid expenses and other	523,839
Total current assets	2,890,190

PROPERTY AND EQUIPMENT (NET):

16,440,668

NON-CURRENT ASSETS:

Utility deposit	28,295
Other assets	33,809
Total non-current assets	62,104

Total assets	\$ 19,392,962
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 1,025,695
Accrued payroll and related expenses	479,936
Due to CSUSA	293,334
Accrued interest payable	194,261
Capital lease payable - short term portion	912,513
Other liabilities	9,196
Funds held in custody	29,092
Total current liabilities	2,944,027

LONG TERM LIABILITIES:

Notes payable	1,110,000
Capital lease payable	21,387,958
Total long-term liabilities	22,497,958

NET DEFICIT:

Without donor restrictions	(6,049,023)
Total net deficit	(6,049,023)

Total liabilities and net deficit	\$ 19,392,962
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The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions
Revenue, Grants and Other Support	
Minimum Foundation Program (MFP)	\$ 16,526,866
Federal grants	1,923,148
Before and aftercare fees	9,886
E-rate revenues	53,741
Interest income	1,039
Total revenues, grants, and other support without donor restrictions	18,514,680
Expenses:	
Program services:	
Regular education	11,893,305
Special education	2,386,929
Other education	258,070
Total program services	14,538,304
Supporting services:	
Management and general	4,653,585
Total expenses	19,191,889
Change in net assets	(677,209)
NET DEFICIT AT BEGINNING OF THE YEAR	(5,371,814)
NET DEFICIT AT END OF THE YEAR	\$ (6,049,023)

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 4,012,026	\$ 811,866	\$ 185,209	\$ 442,584	\$ 5,451,685
Benefits	675,418	121,577	34,112	107,545	938,652
Professional Services	1,212	135	-	53,290	54,637
Contracted/Vendor Services	2,624,640	943,794	-	1,871,445	5,439,879
Professional Development	121,756	13,549	-	-	135,305
Supplies/Materials	593,738	66,074	-	36,194	696,006
Utilities	369,106	41,076	-	13,615	423,797
Repairs and Maintenance	486,624	54,154	-	17,944	558,722
Insurance	88,116	9,807	-	3,326	101,249
Rent	43,062	4,843	-	1,455	49,360
Interest	-	-	-	1,939,596	1,939,596
Depreciation and amortization	940,191	104,628	-	34,674	1,079,493
School Board Fees	185,399	20,632	-	-	206,031
Travel	25,019	2,784	-	14,782	42,585
Marketing/Recruitment	168,577	18,760	-	6,057	193,394
Food Service	461,565	51,187	38,749	7,003	558,504
Technology	82,296	9,159	-	48,696	140,151
Office expense	101,474	11,291	-	18,323	131,088
Student Services	704,363	78,385	-	-	782,748
Property Tax	208,723	23,228	-	7,698	239,649
Other	-	-	-	29,358	29,358
	<u>\$ 11,893,305</u>	<u>\$ 2,386,929</u>	<u>\$ 258,070</u>	<u>\$ 4,653,585</u>	<u>\$ 19,191,889</u>

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (677,209)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,079,492
Decrease (increase) in:	
Federal program receivables	264,158
Prepaid expenses and other	(499,417)
Other assets	686
Increase (decrease) in:	
Accounts payable	531,539
Accrued payroll and related expenses	(167,367)
Accrued other expenses	2,344
Funds held in custody	7,772
Net cash provided by operating activities	<u>541,998</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	<u>(351,969)</u>
Net cash used in investing activities	<u>(351,969)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease	(681,943)
Payments on accrued interest	(116,793)
Due to CSUSA	<u>(604,011)</u>
Net cash used in financing activities	<u>(1,402,747)</u>

Net decrease in cash	(1,212,718)
Beginning cash balance	<u>2,404,939</u>
Ending cash balance	<u>\$ 1,192,221</u>

Reconciliation of Cash Balances

Cash	\$ 1,163,129
Cash - restricted	<u>29,092</u>
Ending cash balance	<u>\$ 1,192,221</u>

Supplemental disclosure of cash flow information

Interest paid (net of capitalized interest of \$308,705)	<u>\$ 1,939,596</u>
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The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2021-2022 school year, the Foundation operated Iberville Charter Academy (Iberville), under a Type 2 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board (EBRPSB). The Iberville charter agreement will terminate on June 30, 2025. The South Baton Rouge charter agreement will terminate on June 30, 2026, unless extended at the discretion of BESE and EBRPSB. Collectively, the schools had enrollment of approximately 1,290 students for the 2021-2022 school year.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Foundation has no net assets with donor restrictions for the year ended June 30, 2022.

Functional Allocation of Expenses by Nature and Class

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statement of functional expenses by nature and class. Accordingly, certain costs have been allocated between program services and management and general services benefited. Such allocations are determined by management on an equitable basis as noted on the following page.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses by Nature and Class (continued)

The expenses that are allocated and the methods of allocation are as follows:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Enrollment, square footage, time and effort
Benefits	Enrollment, square footage, time and effort
Professional services	Time and effort
Contracted/vendor services	Enrollment
Professional development	Enrollment
Supplies/materials	Enrollment, square footage, time and effort
Utilities	Square footage
Repairs and maintenance	Square footage
Insurance	Square footage, time and effort
Rent	Square footage
Depreciation and amortization	Square footage
School board fees	Enrollment
Travel	Enrollment, time and effort
Marketing/recruitment	Enrollment, square footage
Food service	Enrollment, time and effort
Technology	Square footage, time and effort
Office expense	Enrollment, square footage
Student services	Enrollment
Property tax	Enrollment, square footage

There were no fundraising costs for the year ended June 30, 2022.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the disclosures, and the reported amounts of assets and liabilities, and the reported revenues and expenditures. Significant estimates have been applied in the determination of depreciation in the preparation of the accompanying financial statements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Funds Held in Custody

The Foundation considers all student activity funds and unexpended income from these funds to be funds held in custody. All funds held in custody are recorded in the statement of financial position at cost which represents their fair values.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management has concluded that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2022.

Public Support and Revenue Recognition

The Foundation receives both grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Foundation receives Minimum Foundation Program (MFP) funding from the Louisiana Department of Education through the Louisiana Board of Elementary and Secondary Education according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are without donor restrictions. A substantial portion of federal grants are expenditure driven and as such is classified as without donor restrictions in the statement of activities and changes in net assets. The Foundation also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served. Before and after care fees and e-rate revenues are recognized when earned (time services are provided).

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions whose donor restrictions are met in the same reporting period are reported as without donor restrictions. No contributions were received for the fiscal year ended June 30, 2022.

Cash

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2022, cash deposits are in excess of FDIC insurance limits by \$1,057,361. For purposes of these calculations, "cash deposits" are comprised of the account balances according to the bank's records at each year end. Management believes the credit risk associated with these deposits is minimal. Restricted cash represents amounts held by the Foundation for the funds held in custody.

Advertising

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$183,917 during the fiscal year ended June 30, 2022. These amounts are included in marketing and recruitment expenses on the Statement of Functional Expenses.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Foundation has adopted the practice of capitalizing all expenditures for depreciable assets for per unit cost which exceeds \$750 or an asset purchase over \$5,000. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 20 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 20 years.

Tax Exempt Status

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2022.

The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

New Accounting Pronouncements

The Foundation adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations, and enhances disclosures with respect to these contributions. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the statements of financial position as well as additional disclosures. The implementation of this standard was delayed by FASB upon issuance of ASU 2020-05 in June 2020. This standard will be effective for the Foundation's fiscal year ending June 30, 2023.

The Foundation is currently assessing the impact of these pronouncements on the financial statements.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Current financial assets at year end:

Cash and cash equivalents	\$ 1,163,129
Grants receivable	<u>1,174,130</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,337,259</u>

Management regularly monitors liquidity to meet the School's operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. See Note 7 for the terms of the management agreement with CSUSA that can provide additional liquidity to the Foundation.

3. GRANTS RECEIVABLE

Receivables due from other governmental agencies at June 30, 2022, consists of \$225,442, representing amounts due from the Louisiana Department of Education for federal pass through grants under the Title I program, Title II program, Title XIV program, Title XXII program, ESSER Program, National School Lunch and Breakfast Program and IDEA program. An additional \$845,571 is due from the Louisiana Department of Education for Minimum Foundation Program revenues earned but not paid. The remaining \$103,117 is due from a Louisiana non-profit organization that serves Louisiana area schools.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2022:

Buildings and leasehold improvements	\$ 23,255,181
Furniture & fixtures	1,053,265
Equipment and software	<u>1,847,361</u>
Total cost	\$ 26,155,807
Less: Accumulated depreciation	<u>(9,715,139)</u>
Total Property and equipment	<u>\$ 16,440,668</u>

Depreciation and amortization expense for the year ending June 30, 2022, was \$1,079,492.

5. FUNDS HELD IN CUSTODY

Collections from student activities are funds under the supervision of the Foundation; however, these funds belong to the schools or their student bodies and are not available for use in operations.

6. CONCENTRATION OF SUPPORT

The Foundation received 89% of its support from MFP funding and 10% of its support from federal grants passed through the Louisiana Department of Education during the year ending June 30, 2022. The loss or significant reduction of state and federal funding could have a material adverse effect on the Foundation's operations.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS

The Foundation has a formal agreement with Charter Schools USA, Inc. (CSUSA) to manage, staff, and operate the School. The agreement states that CSUSA shall be entitled to a management fee and cost reimbursements for its services. The management fee is 15% of revenues which shall be set forth within the approved annual budget or a lesser percentage if, as otherwise agreed to, by CSUSA. During the fiscal year, CSUSA retroactively reduced the management fee based on the cash flow needs of the schools under the terms of the management agreement which is to offset future management fee charges. The management agreement also allows for CSUSA to make operating advances to the Foundation in the event there are insufficient funds in the operating account to pay operating expenses.

Addendums to the management agreements between the Foundation and CSUSA were signed on May 31, 2016. The addendums allow CSUSA to recoup previously reduced management fees in future years, provided the school budgets can reasonably accommodate recoupment of all or a portion of the accumulated difference between the initial budgeted fees and the actual fees paid.

At June 30, 2022, the Foundation owed CSUSA \$293,334 related to operation and trade payables. This amount is reflected as amounts due to CSUSA in the statement of financial position.

For the year ended June 30, 2022, the amount of compensation paid directly to CSUSA totaled \$2,424,005 for operating the schools as well as the aftercare programs. These amounts are included in contracted and vendor services on the statement of functional expenses. In addition to these fees paid to CSUSA, CSUSA subcontracted with an affiliated vendor to operate learning pods during the fiscal year ended June 30, 2022. The Foundation made payment directly with the subcontractor of CCUSA for these services. See note 9 for additional information.

8. CAPITAL LEASE

The Foundation has entered into a 20-year capital lease agreement for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Effective July 1, 2017, there was a lease incentive provided to the schools which resulted in a reassessment of the lease agreement. The result of the reassessment is an updated interest rate for the lease at the date of reassessment on the basis of the remaining lease term and remaining payments.

For Iberville Charter, interest on the original lease was 9.779% and changed to 8.284%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on November 1, 2021. The lease agreement expires on June 1, 2034.

South Baton Rouge Charter Academy Interest on the original lease was 9.845% and changed to 8.687%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on April 1, 2021. The lease agreement expires on June 1, 2034.

Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of these leases.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASE (continued)

The future minimum lease payments under these obligations as of June 30, 2022, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 2,776,740
2023	2,818,380
2024	2,860,668
2025	2,903,568
2026	2,947,128
Thereafter	<u>21,905,073</u>
Total Minimum Lease Payments	36,211,557
Less: Amounts Representing Interest	<u>(13,911,086)</u>
Present Value of Minimum Lease Payments	22,300,471
Less: Current Portion	<u>(912,513)</u>
Capital Lease Payable - Long Term	<u>\$ 21,387,958</u>

The Foundation capitalizes interest cost as a component of the capital lease. Total interest expense included in the statement of activities at June 30, 2022 was \$1,939,596 which included a reduction for capitalized interest of \$308,705.

9. RELATED PARTY

The Foundation paid for educational services from Blended & Online School Solutions (BOSS) during the fiscal year ending June 30, 2022 totaling \$2,480,833 for a virtual and blended educational environment (learning pods) for six separate off main campus locations. Despite the Foundation paying directly for these services to BOSS, CSUSA engaged BOSS under its management agreement with the Foundation. A written agreement between the two parties does not exist and the management agreement was not amended with CSUSA. BOSS is an affiliate of CSUSA through a related limited liability company. In addition, common management exists between both organizations. The Executive Director of BOSS is also the Louisiana Superintendent over Schools who oversees the educational services provided to both Iberville Charter Academy and South Baton Rouge Charter.

At June 30, 2022, included in the accompanying statement of financial position are the amounts of \$499,380 in prepaid expenses and \$722,020 in accounts payable related to this vendor. An overpayment by the Foundation to BOSS for services provided to 60 students from the Iberville Charter School was not identified until after year end close and an adjustment to offset future services was verbally agreed to with BOSS creating the prepaid expense. Conversely, South Baton Rouge Charter was not billed for these services by BOSS and a related accounts payable was created. The remaining amounts due were related to services unpaid at fiscal year-end. See footnotes 8 and 10 for other related party transactions.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

10. NOTES PAYABLE

On June 1, 2021, South Louisiana Charter Foundation, Inc., doing business as The Iberville Charter Academy and South Baton Rouge Charter Academy entered into separate promissory notes with Charter Schools USA, Inc. totaling \$530,000 and \$580,000, respectively. The notes are unsecured and bear interest at 3% per annum and mature on September 1, 2022 at which time the entire principal and accrued interest become due. An addendum was made prior to the maturity of the promissory note to change the maturity to June 1, 2024.

11. FEDERAL GRANTS

The Foundation received federal assistance from the following programs for the year ended June 30, 2022, which were all passed through the Louisiana Department of Education.

US Department of Education	
Title I	\$ 339,304
Title II	122
Title III	52,841
Elementary and Secondary School Emergency Relief Fund	720,667
Striving Leaders Comprehensive Literacy	79,965
Title IV	3,369
IDEA and Preschool Grants	103,914
	<hr/> 1,300,182
US Department of Agriculture	
National School Lunch and Breakfast Program	622,966
Total	<hr/> <u>\$ 1,923,148</u>

12. RETIREMENT PLAN

The Foundation has a qualified Internal Revenue Code Section 401(k) retirement plan (the Plan). The Plan covers all employees who have completed at least two months of service and are at least 21 years old. The Foundation is obligated to match up to 25% of an employee's deferred amount, up to 6% of their pay. The Foundation contributed \$11,570 to this Plan during the year ended June 30, 2022, which is included in benefits on the Statements of Functional Expenses.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENT LIABILITIES

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2022.

Grant Disallowances: The Foundation participates in a number of state and federally assisted grant programs. The programs are subject to audits under the single audit approach as well as audits conducted by the Louisiana and U.S. Department of Education. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grants.

The continuation of the Foundation is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contracts with the Board of Elementary and Secondary Education and East Baton Rouge Parish School Board. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contracts, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contracts. The contracts shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2023, the date that the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been considered for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	<u>South Baton</u> <u>Rouge</u>	<u>Iberville</u>	<u>Eliminating</u> <u>Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash	\$ 615,559	\$ 547,570	\$ -	\$ 1,163,129
Cash - restricted	15,635	13,457	-	29,092
Grants receivable	967,762	206,368	-	1,174,130
Prepaid expenses and other	20,068	503,771	-	523,839
Total current assets	<u>1,619,024</u>	<u>1,271,166</u>	<u>-</u>	<u>2,890,190</u>
<u>PROPERTY AND EQUIPMENT (NET):</u>	<u>8,518,633</u>	<u>7,922,035</u>	<u>-</u>	<u>16,440,668</u>
<u>NON-CURRENT ASSETS:</u>				
Utility deposit	13,295	15,000	-	28,295
Other assets	33,809	-	-	33,809
Total non-current assets	<u>47,104</u>	<u>15,000</u>	<u>-</u>	<u>62,104</u>
Total assets	<u>\$ 10,184,761</u>	<u>\$ 9,208,201</u>	<u>\$ -</u>	<u>\$ 19,392,962</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ 680,558	\$ 345,137	\$ -	\$ 1,025,695
Accrued payroll and related expenses	265,407	214,529	-	479,936
Due to/from CSUSA	48,281	245,053	-	293,334
Accrued interest payable	112,198	82,063	-	194,261
Capital lease payable - short term portion	520,468	392,045	-	912,513
Other liabilities	-	9,196	-	9,196
Funds held in custody	15,635	13,457	-	29,092
Total current liabilities	<u>1,642,547</u>	<u>1,301,480</u>	<u>-</u>	<u>2,944,027</u>
<u>LONG TERM LIABILITIES:</u>				
Notes payable	580,000	530,000	-	1,110,000
Capital lease payable	12,387,703	9,000,255	-	21,387,958
Total long-term liabilities	<u>12,967,703</u>	<u>9,530,255</u>	<u>-</u>	<u>22,497,958</u>
<u>NET DEFICIT:</u>				
Without donor restriction	<u>(4,425,489)</u>	<u>(1,623,534)</u>	<u>-</u>	<u>(6,049,023)</u>
Total liabilities and net deficit	<u>\$ 10,184,761</u>	<u>\$ 9,208,201</u>	<u>\$ -</u>	<u>\$ 19,392,962</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Revenue, Grants and Other Support				
Minimum Foundation Program (MFP)	\$ 9,534,607	\$ 6,992,259	\$ -	\$ 16,526,866
Federal grants	1,323,785	599,363	-	1,923,148
Before and aftercare fees	9,886	-	-	9,886
E-rate revenues	30,940	22,801	-	53,741
Interest income	439	600	-	1,039
Total revenues, grants, and other support without donor restrictions	<u>10,899,657</u>	<u>7,615,023</u>	<u>-</u>	<u>18,514,680</u>
Expenses:				
Program services:				
Regular education	6,886,499	5,006,806	-	11,893,305
Special education	1,154,180	1,232,749	-	2,386,929
Other education	237,879	20,191	-	258,070
Total program services	<u>8,278,558</u>	<u>6,259,746</u>	<u>-</u>	<u>14,538,304</u>
Supporting services:				
Management and general	<u>2,645,271</u>	<u>2,008,314</u>	<u>-</u>	<u>4,653,585</u>
Total expenses	<u>10,923,829</u>	<u>8,268,060</u>	<u>-</u>	<u>19,191,889</u>
Change in net assets	(24,172)	(653,037)	-	(677,209)
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(4,401,317)</u>	<u>(970,497)</u>	<u>-</u>	<u>(5,371,814)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (4,425,489)</u>	<u>\$ (1,623,534)</u>	<u>\$ -</u>	<u>\$ (6,049,023)</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SOUTH BATON ROUGE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 2,753,137	\$ 532,113	\$ 176,467	\$ 241,511	\$ 3,703,228
Benefits	478,477	76,817	32,621	52,342	640,257
Professional Services	1,034	115	-	33,646	34,795
Contracted/Vendor Services	683,149	214,510	-	1,008,818	1,906,477
Professional Development	91,554	10,188	-	-	101,742
Supplies/Materials	318,391	35,432	-	21,052	374,875
Utilities	185,884	20,686	-	6,856	213,426
Repairs and Maintenance	267,383	29,756	-	9,860	306,999
Insurance	74,190	8,257	-	2,803	85,250
Rent	28,174	3,169	-	952	32,295
Interest	-	-	-	1,158,680	1,158,680
Depreciation and amortization	681,128	75,798	-	25,120	782,046
School Board Fees	171,651	19,102	-	-	190,753
Travel	17,067	1,899	-	9,992	28,958
Marketing/Recruitment	97,097	10,805	-	3,494	111,396
Food Service	344,917	38,384	28,791	4,158	416,250
Technology	48,290	5,374	-	28,348	82,012
Office expense	84,971	9,455	-	13,650	108,076
Student Services	434,445	48,347	-	-	482,792
Property Tax	125,560	13,973	-	4,630	144,163
Other	-	-	-	19,359	19,359
	\$ 6,886,499	\$ 1,154,180	\$ 237,879	\$ 2,645,271	\$ 10,923,829

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
IBERVILLE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 1,258,889	\$ 279,753	\$ 8,742	\$ 201,073	\$ 1,748,457
Benefits	196,941	44,760	1,491	55,203	298,395
Professional Services	178	20	-	19,644	19,842
Contracted/Vendor Services	1,941,491	729,284	-	862,627	3,533,402
Professional Development	30,202	3,361	-	-	33,563
Supplies/Materials	275,347	30,642	-	15,142	321,131
Utilities	183,222	20,390	-	6,759	210,371
Repairs and Maintenance	219,241	24,398	-	8,084	251,723
Insurance	13,926	1,550	-	523	15,999
Rent	14,888	1,674	-	503	17,065
Interest	-	-	-	780,916	780,916
Depreciation and amortization	259,063	28,830	-	9,554	297,447
School Board Fees	13,748	1,530	-	-	15,278
Travel	7,952	885	-	4,790	13,627
Marketing/Recruitment	71,480	7,955	-	2,563	81,998
Food Service	116,648	12,803	9,958	2,845	142,254
Technology	34,006	3,785	-	20,348	58,139
Office expense	16,503	1,836	-	4,673	23,012
Student Services	269,918	30,038	-	-	299,956
Property Tax	83,163	9,255	-	3,068	95,486
Other	-	-	-	9,999	9,999
	<u>\$ 5,006,806</u>	<u>\$ 1,232,749</u>	<u>\$ 20,191</u>	<u>\$ 2,008,314</u>	<u>\$ 8,268,060</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION TO FUND BALANCE RECONCILIATION
JUNE 30, 2022

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Combined</u>
Total net deficit reported on the combining statement of financial position	\$ (4,425,489)	\$ (1,623,534)	\$ (6,049,023)
Capital assets are not reported for fund balance	<u>(8,518,633)</u>	<u>(7,922,035)</u>	<u>(16,440,668)</u>
Long-term liabilities applicable to the Foundation's governmental fund activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term are in the combining statement of financial position			
Accrued interest payable - short term portion	112,198	82,063	194,261
Capital lease payable - short term portion	520,468	392,045	912,513
Capital lease payable - long term portion	12,387,703	9,000,255	21,387,958
Notes payable - long term	580,000	530,000	1,110,000
Compensated absences (included in accrued payroll)	42,771	24,345	67,116
	<u>13,643,140</u>	<u>10,028,708</u>	<u>23,671,848</u>
Total Fund Balance at June 30, 2022	<u>\$ 699,018</u>	<u>\$ 483,139</u>	<u>\$ 1,182,157</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
CHANGES IN THE COMBINING STATEMENT OF ACTIVITIES AND CHANGES
IN NET ASSETS TO CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 2022

	<u>South Baton</u> <u>Rouge</u>	<u>Iberville</u>	<u>Combined</u>
Changes in net assets reported on the combining statement of activities and changes in net assets	\$ (24,172)	\$ (653,037)	\$ (677,209)
Amounts reported for the financial statements in the combining statement of activities are different due to the following:			
Fund balance reports capital outlays as expenditures.			
However, in the combining statement of activities and changes in net assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays capitalized	(220,468)	(131,502)	(351,970)
Depreciation and amortization expense for year ended June 30, 2022	782,045	297,447	1,079,492
The issuance of long-term debt provides current financial resources to fund balance.			
In the statement of activities and changes in net assets however, issuing debt increases long-term liabilities and does not affect the statement of activities.			
Principal payments on debt and capital lease	(454,441)	(227,502)	(681,943)
Change in accrued interest payable	(15,470)	12,798	(2,672)
Expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in fund balance.			
Change in compensated absences liability	(2,554)	7,844	5,290
Change in Fund Balance	<u>\$ 64,940</u>	<u>\$ (693,952)</u>	<u>\$ (629,012)</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO BOARD PRESIDENT
FOR THE YEAR ENDED JUNE 30, 2022

Board President, John Pierre

Purpose	Amount
None	\$ -
	<u>\$ -</u>

See independent auditors' report.

**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 for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (the Foundation), a nonprofit organization, which are comprised of the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-05 and 2022-006 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2022-003, 2022-004 and 2022-005.

The Foundation's Responses to the Findings

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2023

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

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the South Louisiana Charter Foundation Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2022. The Foundation'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, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Foundation 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 each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

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 controls over compliance with the requirements of laws, statutes, regulations, contracts, and grants applicable to its 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 Foundation'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 Foundation'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 Foundation'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 Foundation'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 Foundation'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 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. 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-007 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 Foundation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Foundation'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.

Postlethwaite & Netterville

Baton Rouge, Louisiana

March 31, 2023

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>Assistance Listing Number</u>	<u>Federal Award Expenditures</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 18/19	10.555 ¹	\$ 469,000
National School Breakfast Program	LDE - 18/19	10.553 ¹	<u>153,966</u>
Total US Department of Agriculture			<u>622,966</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-19-T1-L4	84.010A	339,304
IDEA	28-20-B1-ED	84.027 ²	103,914
Title II	28-21-50-ED	84.367	122
Title III		84.031	52,841
Striving Leaders Comprehensive Literacy	28-18-SRO6-ED	84.371	79,965
Title IV ESSA		84.424A	3,369
COVID-19 ESSER - Formula	28-21-ES3F-ED	84.425U	141,950
COVID-19 ESSER III EB Interventions	28-20-ESR1-ED	84.425D	<u>578,717</u>
			<u>720,667</u>
Total US Department of Education			<u>1,300,182</u>
Total Federal Expenditures			<u>\$ 1,923,148</u>

¹ Child Nutrition Cluster - \$622,966

² Special Education Cluster -\$103,914

None of the above listed federal awards were passed through to subgrantees.

See accompanying notes to the schedule of expenditures of federal awards.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DE MINIMUS COST RATE

During the year ended June 30, 2022, the Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? yes no

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
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Education Stabilization Fund (ESF):

84.425D	ESSER – Formula – COVID-19
84:425U	ESSER III EB Interventions - COVID-19

The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.

The Foundation was determined to be a low-risk auditee.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001) Internal Control over Financial Statement Preparation

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity’s ability to initiate, record, process, and report financial data consistent with the assertion embodied in the financial statements, which for the Foundation, is that the financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assist management in drafting the financial statements and related notes for the year-end audit from a client provided trial balance. We noted, as part of the audit process, significant material adjustments were necessary to correct the year end balances for a majority of the accounts on the statement of net position of the Foundation. These accounts included grants receivable, prepaid expenses, accounts payable, accrued interest expense, wages payable and net assets. These adjustments also impacted the statement of activities. Reclassifications were also necessary for proper presentation of federal and state revenues. Significant related party transactions were not initially disclosed to the auditors. CSUSA, as management over the financial reporting process, did not identify these adjustments resulting in delays in the audit process and ultimately not meeting the six-month filing requirement with the Louisiana Legislative Auditor. Because of these items there is an indication that the internal controls over year-end GAAP financial statements of the Foundation is not sufficient.

Cause: Insufficient internal review of account balances and reconciliations by accounting personnel of CSUSA allowed errors to exist in the trial balance and go undetected prior to being subjected to audit procedures.

Effect: The Foundation has a material weakness in their internal control over financial reporting, which could lead to material errors in the financial statements.

Recommendation: The Foundation should strengthen its controls including its review and reconciliation and processes over year end closing entries.

View of Responsible Official:

We have been migrating our schools to an Oracle based accounting system that will ultimately streamline reporting and provide greater flexibility to analyze data. As is the case with system transitions, this impacted our ability to meet our reporting timeframes. In addition to working with consultants and a project manager, additional resources have been hired to establish a path and timeline to fully optimize the NetSuite system.

We have identified the timeline constraints in our year end close process and have established set deadlines to assure accurate and timely reporting of financial information. We have also established strong internal controls with consistent account reconciliations and additional layers of review managed by the Accounting Manager and Assistant Controller. These reconciliations will also be reviewed by the Controller on a quarterly basis and prior to final submission to the auditor.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2022-002) Related-Party Transactions

Criteria: Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction, and amounts due to or due from the related party at the financial statement date. Given the significance of related party transactions and according to the management contract with Charter Schools USA, the Board should be notified of any subcontracts with respect to the teaching and instruction program. The Board should review these contracts and minutes should reflect the familiarity of the provisions and how they affect the conduct of the schools.

Condition: While performing certain audit procedures we were provided a credit memo in the amount of \$499,830 identified by CSUSA management as an overpayment of educational services to a vendor. We noted that the Foundation did not possess support for the credit memo at the time when the entry was recorded. As a result of our inquiries, support was subsequently provided by the vendor. The calculation of the credit memo was based on the annual enrollment of sixty students. Additional audit procedures revealed the amount of the credit memo was incorrect given the testing reflected two of the students were only enrolled for a part of the school year.

Audit procedures performed revealed the vendor was a related party that was not previously disclosed by management for which material transactions occurred throughout the fiscal year. A total of \$2,480,833 was disbursed to this vendor during the fiscal year ended June 30, 2022. The Foundation was unable to provide an executed agreement with the vendor. The Board’s knowledge and understanding of all related party transactions was not specifically evidenced in the minutes of the Foundation prior to the execution of the transactions for educational services provided to the related party vendor.

Cause: Internal controls have not been established to identify and disclose significant related-party transactions. Supporting documentation for items recorded in the general ledger should be readily available and maintained within the Foundation’s control prior to transactions being recorded in the Foundation’s accounting system.

Effect: The Foundation has a material weakness in financial reporting related to maintaining signed contracts, identifying significant related-party transactions, and possessing support for all significant activity recorded in the general ledger.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2022-002) Related-Party Transactions (continued)

Recommendation: We recommend that management adopt a formal policy to identify and monitor these types of transactions for proper monitoring of related party activity as well as inclusion of the appropriate financial statement disclosures. Also, such information should be clearly documented in the board meeting minutes and retained as evidence of the decisions made and the related actions. We also recommend that a better system of document retention be implemented to aid in the strengthening of internal controls over the entire accounting function as well as financial reporting.

View of Responsible Official:

We will ensure moving forward that any presentations of such agreements to the Board be well documented in the Governing Board minutes. The approval of such transactions will also be clearly shown in the minutes. We will also have the Governing Board review and approve current contracts at the board meetings.

2022-003) Non-compliance with State Audit Law

Criteria: In accordance with R.S. 24:513, the Foundation must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Foundation's fiscal year end.

Condition: The Foundation was required to have an audit completed by the filing deadline of December 31, 2022 (six months after its fiscal year end) and the Foundation did not meet this filing deadline.

Cause: The Foundation did not provide requested documentation necessary for audit completion within the deadline.

Effect: As of the date of this report, the Foundation was granted an extension until March 31, 2023 to file by the Louisiana Legislative Auditor. Noncompliance with state audit law could result in the withholding of grant funding, which is imperative to the operations of the Foundation.

Recommendation: The Foundation should ensure requested documentation is provided in a timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.

View of Responsible Official:

During the year, we underwent staffing challenges which created difficulty with the timeliness of providing the requested documentation. We have taken the necessary steps to add additional staff who will be based in Louisiana to provide the requested documentation in a timely manner.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2022-004) Compliance and Other Matters

Criteria:

As part of obtaining reasonable assurance about whether the Foundation’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. For the 2021-2022 school year, the Foundation operated Iberville Charter Academy (Iberville), under a Type 2 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board (EBRPSB) and must comply with certain provisions.

Revised Statute 17:4036.1 allows a public school governing authority to establish learning pods as an extension of any school under its jurisdiction. A student may be assigned to a learning pod only if the assignment is requested by a parent or authorized by a parent upon the recommendation of school officials.

Condition:

Six learning pods were utilized by the charter management company during the year under audit. As part of the online enrollment process, parents can select assignment to either the physical school location or a pod. South Baton Rouge Academy parents were able to select the one learning pod established in the 2021-2011 school year. For Iberville Charter Academy, specific pod assignments are made by the vendor based on the closest proximity of the student’s home address. The vendor then enters a code within the student database to identify the learning pod assigned. Evidence of attendance at a pod was provided through the roll books maintained. However, evidence of the parent approval of the specific pod location, requested and subsequently assigned, is not easily verified or maintained as part of the student records at the respective school.

Cause:

Authoritative guidance over the administrative and reporting requirements of students attending learning pods has not been established by the Louisiana Department of Education (LDOE). This is the first year the Foundation offered learning pods and internal controls have not been formally established to ensure compliance with state regulations.

Effect:

Students attending the learning pods may not be appropriately authorized and if deemed ineligible by the LDOE this could result in reimbursements of state funds used in providing these services to these students.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Recommendation: We recommend that management communicate with the LDOE on their requirements for attendance and reporting of student assignments to a learning pod. Internal controls over the student data should be enhanced to allow the parent to select the pod site location as part of the online enrollment process. Further, we recommend that the evidence of parent approval be maintained as part of the student records at the respective school locations.

View of Responsible Official:

We agree with the comment that management communicate with LDOE on their requirements for learning pods. We collaborated on rules that were established by BESE in December for learning pods. We met with the LDOE team again on March 30 after pushing for quarterly meetings. LDOE plans on meeting with us quarterly to refine their requirements. There is no issue with authorization from LDOE. Staff members of LDE and BESE members have visited pod locations. Also, we plan on improving the registration process to make the auditing process easier to see the parent request and principal approval for specific pod enrollment.

2022-005)

Internal Controls and Profile of Educational Personnel (PEP) Data Reporting to the State Department of Education

Criteria:

In accordance with R.S. 24:514 I, specified agreed-upon procedures are performed on the schedules of performance and statistical data accompanying the basic financial statements of the Foundation for the fiscal year ended June 30, 2022. These procedures assist the State Department of Education in determining whether the specified schedules and data are free of obvious errors and omissions.

- a. One of these procedures require we obtain June 30th PEP data submitted to the Department of Education (DOE) for all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data/listing is complete. A sample of 19 individuals is selected and we trace to each individual's personnel file, and observe that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data. The Foundation is required to maintain supporting documentation, including approvals, for teacher salaries, which includes base salary and extra compensation, in each individual's personnel file necessary to agree amounts paid with amounts reported (PEP data) to the State Department of Education.
- b. One of these procedures require we obtain October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Condition: During our testing, we noted that the salaries as reported on the June 30th PEP data submitted to the State Department of Education for the 19 individuals selected for testing did not agree to the supporting salary information maintained in the individual's personnel file. We also noted for 5 out of the 19 individuals selected, the years of experience was not properly classified on the PEP data. For 14 out of the 19 individuals selected, support for the years of experience was not provided.

Cause: Internal controls have not been established to ensure salary related approvals, education levels and experience and any related changes are being maintained in personnel files and/or a reconciliation of PEP data to personnel forms is not being performed by management to ensure the accuracy of the information submitted to the DOE.

Effect: The exceptions identified in our testing will be reported in the written report in accordance with R.S. 24:514 I and the State Department of Education will determine the effect and corrective action needed by the Foundation.

Recommendation: The Foundation should ensure that salary information is maintained to support the amounts reported in the June 30th PEP data and a reconciliation of a sample of the data submitted and personnel files be performed.

View of Responsible Official:

We have reviewed the supporting information that was provided for this finding and agree with the comments. We realize that improvements are needed in the quality of our PEP data that we submit to the LDOE. To address the issue related to salaries, we will execute appropriate salary reconciliations that will ensure that salary information submitted in the PEP report is accurate and is supported with proper documentation. We have also added resources that will improve the accuracy and reliability of all data provided in the PEP report so that information submitted has been reviewed and has the required supporting documentation.

2022-006) Internal Controls over Cash Receipts

Criteria: Cash is the most liquid of assets and has the highest risk for theft and misappropriation in any organization. As such the establishment of policies and the performance of the procedures are key to a properly designed internal control system over cash receipts.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2022-006) Internal Controls over Cash Receipts (continued)

Condition(s): The individual responsible for the collection denotes the currency received on a cash receipts log. The supporting documentation is forwarded and recalculated by the school operations administrator (SOA). The deposit is then made by a separate individual. During our audit testing, we noted out of a sample of 25 deposits, one deposit did not agree to the supporting count on the cash receipts log causing the deposit to be short by \$25. Therefore, internal controls over cash receipts were not operating effectively for one of the school locations (Iberville Charter Academy).

Cause: While the internal control procedures over cash receipts were designed appropriately, they were not operating effectively due to a manual error which occurred in the process of agreeing the deposit to the cash receipts log and remained undetected.

Effect: Without diligence in the performance of assigned functions or the establishment of internal control procedures over software implementation misappropriation and errors may occur.

Recommendation: The Foundation should remind SOAs of their responsibilities in ensuring the accuracy of their review.

View of Responsible Official:

We have reviewed the supporting information that was provided for this finding and agree with the comments. We will reiterate with our SOAs of the need to be more accurate and that it is their responsibility to provide accuracy as part of their position.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2022-007) Preparation of Schedule of Expenditures and Federal Awards

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D	ESSER – Formula – COVID-19
84:425U	ESSER III EB Interventions - COVID-19

Questioned Costs: N/A

Criteria: The Uniform Guidance Subpart F section 200.510 requires the preparation of the Schedule of Expenditures of Federal Awards (SEFA) that includes an accurate reporting of federal awards expended based on the terms and conditions of the grants. In order for the SEFA to be prepared accurately and properly report the amounts expended for federal awards, a system of controls should be in existence that includes the timely preparation and review of the amounts reported on the SEFA.

Universe/
Population Size: None

Sample size: None

Condition: The initial SEFA prepared by the Foundation’s personnel did not reconcile the federal expenditures reported on the SEFA to the federal revenue received by granting agency.

Effect: The SEFA provided to us did not contain the correct amounts of federal expenditures which is the basis used to determine the major federal programs to be audited in a fiscal year. Inaccurate reporting may result in improper auditing of the wrong federal programs in any given year and non-compliance with federal regulations.

Cause: The Foundation receives multiple sources of revenues, including both federal and state, which fund the costs of the of the charter schools. The classification of program revenue and therefore federal expenditures was not accurate and not detected during internal review, which resulted in errors on the initial SEFA. This is a repeat finding from the prior year.

Recommendation: The Foundation should strengthen its controls including its review and approval processes over the information and balances that is accumulated and reported on the SEFA to make sure the expenditures reported are an accurate representation of federal reimbursements.

View of Responsible Official:

Management agrees with the finding. See corrective action plan attached.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021 – 001) Preparation of Schedule of Expenditures and Federal Awards

Condition: The initial SEFA prepared by the Foundation’s personnel did not reconcile the federal expenditures reported on the SEFA to the federal revenue received by granting agency.

Recommendation: The Foundation should strengthen its controls including its review and approval processes over the information and balances that is accumulated and reported on the SEFA to make sure the expenditures reported are an accurate representation of federal costs.

Current Status: Not resolved – see Finding 2022-007



South Louisiana Charter FOUNDATION, INC.

March 31, 2023

Management Corrective Action Plan to Audit Findings for the year ended June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001) Internal Control over Financial Statement Preparation

We have been migrating our schools to an Oracle based accounting system that will ultimately streamline reporting and provide greater flexibility to analyze data. As is the case with system transitions, this impacted our ability to meet our reporting timeframes. In addition to working with consultants and a project manager, additional resources have been hired to establish a path and timeline to fully optimize the NetSuite system.

We have identified the timeline constraints in our year end close process and have established set deadlines to assure accurate and timely reporting of financial information. We have also established strong internal controls with consistent account reconciliations and additional layers of review managed by the Accounting Manager and Assistant Controller. These reconciliations will also be reviewed by the Controller on a quarterly basis and prior to final submission to the auditor.

2022-002) Related-Party Transactions

We will ensure moving forward that any presentations of such agreements to the Board be well documented in the Governing Board minutes. The approval of such transactions will also be clearly shown in the minutes. We will also have the Governing Board review and approve current contracts at the board meetings.

2022-003) Non-compliance with State Audit Law

During the year, we underwent staffing challenges which created difficulty with the timeliness of providing the requested documentation. We have taken the necessary steps to add additional staff who will be based in Louisiana to provide the requested documentation in a timely manner.

2022-004) Compliance and Other Matters

We agree with the comment that management communicate with LDOE on their requirements for learning pods. We collaborated on rules that were established by BESE in December for learning pods. We met with the LDE team again on March 30 after pushing for quarterly meetings. LDE plans on meeting with us quarterly to refine their requirements. There is no issue with authorization from LDOE. Staff members of LDE and BESE members have visited pod locations. Also, we plan on improving the registration process to make the auditing process easier to see the parent request and principal approval for specific pod enrollment.



South Louisiana Charter
FOUNDATION, INC.

Management Responses to Audit Findings for the year ended June 30, 2022 (continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2022-005) Internal Controls and Profile of Educational Personnel (PEP) Data Reporting to the State Department of Education

We have reviewed the supporting information that was provided for this finding and agree with the comments. We realize that improvements are needed in the quality of our PEP data that we submit to the LDOE. To address the issue related to salaries, we will execute appropriate salary reconciliations that will ensure that salary information submitted in the PEP report is accurate and is supported with proper documentation. We have also added resources that will improve the accuracy and reliability of all data provided in the PEP report so that information submitted has been reviewed and has the required supporting documentation.

2022-006) Internal Controls over Cash Receipts

We have reviewed the supporting information that was provided for this finding and agree with the comments. We will reiterate with our SOAs of the need to be more accurate and that it is their responsibility to provide accuracy as part of their position.

A handwritten signature in cursive script, appearing to read "Mark W. Gamble", is written above a horizontal line.

Mark W. Gamble, State Financial Director

A handwritten signature in cursive script, appearing to read "Myrna Laine-hyppolite", is written above a horizontal line.

Myrna Laine-hyppolite, SVP, Finance and Accounting

March 31, 2023



South Louisiana Charter
FOUNDATION, INC.

March 31, 2023

Management Corrective Action Plan to Audit Findings for the year ended June 30, 2022

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2022-007) Preparation of Schedule of Expenditures and Federal Awards

Assistance Listing Numbers Name of Federal Program or Cluster
84.425D ESSER – Formula – COVID-19
84.425U ESSER III EB Interventions - COVID-19

The following is the corrective action plan to assure all revenues are recorded accurately and timely. The SVP of Finance and Accounting, Myrna Laine-hyppolite, will be the responsible party for this corrective action plan. We have established monthly meetings to evaluate and discuss pending grant reimbursement requests as well as future drawdowns. The monthly reconciliation of the grant revenues and expenses are reviewed by the Accounting Manager and Assistant Controller. The accountant will establish an organized method for tracking all grant revenues. Our Grants Accounting manager helps monitor the budget spending and grant utilization. All revenue is being verified each month against the amounts received and all current year expenses will have offsetting grant revenues. The timeline for correction is for the fiscal year ending June 30, 2023 reporting.

Handwritten signature of Mark W. Gamble in cursive script, positioned above a horizontal line.

Mark W. Gamble, State Financial Director

Handwritten signature of Myrna Laine-hyppolite in cursive script, positioned above a horizontal line.

Myrna Laine-hyppolite, SVP, Finance and Accounting

Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Board Members of the
South Louisiana Charter Foundation,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of the South Louisiana Charter Foundation for the fiscal year ended June 30, 2022; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of the South Louisiana Charter Foundation is responsible for its performance and statistical data.

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

Note: The report and the related schedules do not include South Baton Rouge Charter Academy, which is a Type 1 charter approved by and reported with the East Baton Rouge Parish School Board.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes

- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

Of the 10 classes selected for Iberville Charter Academy, we noted no exceptions. We did note that the schedule incorrectly includes students in the School Type – High and High Activity classes. Iberville Charter Academy serves students in K-8th grade.

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

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 19 individuals, traced to each individual's personnel file and observed that each individual's education level and experience was properly classified on the PEP data (or equivalent listing prepared by management).

For 5 out of the 19 individuals selected, the years of experience was not properly classified on the PEP data.

For 14 out of the 19 individuals selected, support for the years of experience was not provided.

For 4 out of the 19 individuals selected, support for the education level was not provided.

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 19 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).

For each of the individuals selected, the salary submitted in the PEP data file to the LDOE did not agree to supporting documentation in the employee's personnel file.



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

We are required to be independent of the South Louisiana Charter Foundation 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 South Louisiana Charter Foundation, 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2023

South Louisiana Charter Foundation

BATON ROUGE, LOUISIANA

Schedules Required by State Law (R.S. 24:514 - Performance Measurement Data)

As of and for the Year Ended June 30, 2021

Schedule 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 2 (Formerly Schedule 6) 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.

SOUTH LOUISIANA CHARTER FOUNDATION
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	\$ 1,074,784	
Other Instructional Staff Activities	308,448	
Instructional Staff Employee Benefits	175,130	
Purchased Professional and Technical Services	2,276,850	
Instructional Materials and Supplies	177,256	
Instructional Equipment	147,068	
Total Teacher and Student Interaction Activities		4,159,536

Other Instructional Activities
 | - |

Pupil Support Activities	106,453	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		106,453

Instructional Staff Services	218,999	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		218,999

School Administration	181,356	
Less: Equipment for School Administration	-	
Net School Administration		181,356

Total General Fund Instructional Expenditures (Total of Column B) 4,666,344

Total General Fund Equipment Expenditures \$ 147,068

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes		
Renewable Ad Valorem Tax		
Debt Service Ad Valorem Tax		
Penalty and Interest on Ad Valorem Tax		
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		
Sales and Use Taxes		
Sales and Use Tax Penalty and Interest		
Total Local Taxation Revenue		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax		
Revenue Sharing - Other Taxes		
Revenue Sharing - Excess Portion		
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		-

Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue	\$	-

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana
Class Size Characteristics
As of October 1, 2021

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	93.00%	264	5.00%	12	2.00%	7	0.00%	1
Elementary Activity Classes	93.00%	42	5.00%	2	2.00%	1	0.00%	-
Middle/Jr. High	82.00%	106	9.00%	11	9.00%	12	0.00%	1
Middle/Jr. High Activity Classes	82.00%	37	9.00%	4	9.00%	4	0.00%	-
High	100.00%	8	0.00%	-	0.00%	-	0.00%	-
High Activity Classes	100.00%	2	0.00%	-	0.00%	-	0.00%	-
Combination	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Combination Activity Classes	0.00%	-	0.00%	-	0.00%	-	0.00%	-

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 for grades K-3 is 26 students and the maximum enrollment for 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.

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Members of the
South Louisiana Charter Foundation and the
Louisiana Legislative Auditor:

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

South Louisiana Charter Foundation 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*" or for step 25 "*we performed the procedure and discussed the results with management*". If not, then a description of the exception ensues.

A - Written Policies and Procedures

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

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The entity has written policies for Budgeting however the policy does not specifically address attribute (2) adopting 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.

No exception noted.

c) **Disbursements**, including processing, reviewing, and approving

No exception noted.

- 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).

No exception noted.

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

No exception noted.

- 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.

No exception noted.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Credit Cards are not applicable to South Louisiana Charter Foundation. No exception noted.

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

The Entity has written policies for Travel and Expense Reimbursement; however, the policy does not specifically address attribute (2) dollar thresholds by category of expense.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Ethics was not tested as the entity is a nonprofit.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Debt Service was not tested as the entity is a nonprofit.

- 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.

The Entity has written policies for Disaster Recovery/ Business Continuity; however, the policy does not specifically address attribute (4) use of antivirus software on all systems and (5) timely application of system and software patches/updates.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Sexual Harassment compliance is not tested as the entity is a non-profit.

B - Board or Finance Committee

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

For three of the eight meetings a quorum was not established.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exception noted.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Not applicable.

C - Bank Reconciliations

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

A listing of bank accounts was provided and included a total of 8 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending March 31, 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- 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);

No exceptions noted.

- 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

No exceptions noted.

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

None of the 5 bank accounts selected had reconciling items that have been outstanding for more than 12 months. No exceptions noted.

D - Collections (excluding electronic funds transfers)

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).

A listing of deposit sites was provided and included a total of 2 deposit sites. No exceptions were noted as a result of performing this procedure.

From the listing provided, we used the 2 deposit sites and performed the procedures below.

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 listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 2 collection locations. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- 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.

For 1 of the 2 locations selected for our procedures, the employee responsible for collecting cash prepares/makes the bank deposit and reconciles collection documentation 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.

No exceptions noted.

- 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.

No exceptions noted.

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.

No exceptions noted.

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:

We randomly selected two deposit dates for each of the 5 bank accounts selected in procedure #3. Of the 5 bank accounts, only 3 had deposits resulting in a sample size of 6. We obtained supporting documentation for each of the 6 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

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

The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exception noted.

- 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).

No exception noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

E - Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

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).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected both locations and performed the procedures below.

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:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

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 listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. Only two of those locations had non-payroll disbursements. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe whether the disbursement matched the related original itemized invoice, and that supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions noted.

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

For 10 disbursements selected for our procedures, the payment processor is not prohibited from adding/modifying vendor files and is also responsible for mailing payments.

F - Credit Cards/Debit Cards/Fuel Cards/P-Cards

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.

Not applicable – Entity does not have any credit cards.

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:

Not applicable – Entity does not have any credit cards.

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, 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.]

Not applicable – Entity does not have any credit cards.

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

Not applicable – Entity does not have any credit cards.

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 it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Not applicable – Entity does not have any credit cards.

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

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:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

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

Of the 5 reimbursements selected for our procedures none used a per diem. No exceptions noted.

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

For 2 of the 5 reimbursements selected for our procedures, there was no original itemized receipt identifying precisely what was purchased.

- c) Observe 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).

For 2 of the 5 reimbursements selected for our procedures, there was no supporting documentation detailing the business purpose and other support required by written policy.

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

For 2 of the 5 reimbursements selected for our procedures, there was no documentation indicating the reimbursement was reviewed and approved in writing by someone other than the person being reimbursed.

H - Contracts

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. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

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

Contracts were provided for 4 of the 5 selected. Not applicable for the 4 contracts provided.

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

Contracts were provided for 4 of the 5 selected. Not applicable for the 4 contracts provided.

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

Contracts were provided for 4 of the 5 selected. Not applicable for the 4 contracts provided.

- 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 the invoice and related payment agreed to the terms and conditions of the contract.

Contracts were provided for 4 of the 5 selected. For the 4 contracts provided, 2 did not have a supporting invoice.

I - Payroll and Personnel

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.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

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:

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

- a) Observe 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.).

No exceptions noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, 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' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. No exceptions noted.

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, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

J - Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Not applicable.

- 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.

Not applicable.

K - Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

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).

Not applicable.

L - Fraud Notice

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.

Management has represented to us there were no misappropriations of public funds and assets during the fiscal period.

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.

No exceptions noted.

M - Information Technology Disaster Recovery/Business Continuity

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.

We performed the procedure and discussed the results with management.

- 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.

We performed the procedure and discussed the results with management.

- 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.

We performed the procedure and discussed the results with management.

N - Sexual Harassment

- 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.

Not applicable. Charter schools are exempt from RS 42:341-345.

- 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).

Not applicable. Charter schools are exempt from RS 42:341-345.

- 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;

Not applicable. Charter schools are exempt from RS 42:341-345.

- b) Number of sexual harassment complaints received by the agency;

Not applicable. Charter schools are exempt from RS 42:341-345.

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable. Charter schools are exempt from RS 42:341-345.

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable. Charter schools are exempt from RS 42:341-345.

- e) Amount of time it took to resolve each complaint.

Not applicable. Charter schools are exempt from RS 42:341-345.

Corrective Action

27. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attachment.

We were engaged by South Louisiana Charter Foundation 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 South Louisiana Charter Foundation 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.

Postlethwaite & Netterville

Baton Rouge, LA
March 31, 2023



South Louisiana Charter
FOUNDATION, INC.

Response to Exceptions in the in the SAUP Results Report:

We have conducted a preliminary review of the recommendations in the AUP results. We are in agreement with the report as provided by Postlethwaite & Netterville, CPAs. The South Louisiana Charter Foundation will adjust policies and procedures and implement changes where necessary to meet the expectations identified in the report.

State Financial Director

March 31, 2023