

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED FINANCIAL REPORT

June 30, 2023

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

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June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Helix Network of Educational Choices
Baton Rouge, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of **HELIX NETWORK OF EDUCATIONAL CHOICES** (a nonprofit organization) (the Academies), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academies as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Academies 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2023, the Academies adopted Financial Accounting Standards Board ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Academies' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academies' 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 consolidated financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on Schedules 1, 2, and 3 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The Consolidating Schedule of Financial Position and Consolidating Schedule of Activities on Schedules 4 and 5 are not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*, we have also issued our report dated March 6, 2024, on our consideration of the Academies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academies' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Louisiana Governmental Audit Guide* in considering the Academies' internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
March 6, 2024

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

	Amount
CURRENT ASSETS	
Cash	\$ 298,518
Receivables	973,386
Prepaid expenses and other	12,522
Total current assets	<u>1,284,426</u>
NONCURRENT ASSETS	
Right-of-use assets - financing lease, net	13,543,940
Right-of-use assets - operating lease, net	92,939
Property and equipment, net	3,539,464
Total noncurrent assets	<u>17,176,343</u>
Total assets	<u>\$ 18,460,769</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 730,126
Due to management company, net	280,201
Compensated absences	56,161
Student activity funds	18,355
Notes payable, current portion	90,379
Current portion of financing lease liabilities, net present value discount	195,523
Current portion of operating lease liabilities, net present value discount	99,627
Lines of credit	449,996
Total current liabilities	<u>1,920,368</u>
LONG-TERM LIABILITIES	
Financing lease liabilities, net of current portion and present value discount	14,188,200
Operating lease liabilities, net of current portion and present value discount	3,707
Notes payable, net of current portion	142,817
Total long-term liabilities	<u>14,334,724</u>
Total liabilities	<u>16,255,092</u>
NET ASSETS	
Without donor restrictions	2,175,677
With donor restrictions	30,000
Total net assets	<u>2,205,677</u>
Total liabilities and net assets	<u>\$ 18,460,769</u>

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
State grant - Minimum Foundation Program (MFP)	\$ 7,994,572	\$ -	\$ 7,994,572
Federal grants	1,489,718	-	1,489,718
Contributions	395,139	-	395,139
Contributions of nonfinancial assets	2,539,167	-	2,539,167
Income from meals	19,150	-	19,150
Other income	227,654	-	227,654
Total revenues and support	12,665,400	-	12,665,400
EXPENSES			
Program services	5,565,526	-	5,565,526
Operations and maintenance	2,046,100	-	2,046,100
General and administrative	2,846,293	-	2,846,293
Total expenses	10,457,919	-	10,457,919
Change in net assets	2,207,481	-	2,207,481
NET ASSETS (DEFICIT)			
Beginning of year, restated	(31,804)	30,000	(1,804)
End of year	\$ 2,175,677	\$ 30,000	\$ 2,205,677

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,207,481
Adjustments to reconcile change in net asset to net cash provided by operating activities:	
Depreciation expense	327,368
Amortization of right-of-use assets - financing lease	415,602
Contributions of nonfinancial assets	(2,539,167)
Change in operating assets and liabilities:	
Accounts receivable	(459,122)
Prepaid expenses and other	302
Right-of-use assets - operating lease	175,454
Operating lease liabilities	(165,059)
Accounts payable and other liabilities	(129,981)
Net cash used by operating activities	<u>(167,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(59,616)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings from line of credit	769,674
Proceeds from note payable	277,225
Principal payments on finance lease liability	(163,608)
Principal payments on note payable	(121,872)
Payments on lines of credit	(693,173)
Net cash provided by financing activities	<u>68,246</u>
Net decrease in cash	(158,492)
CASH	
Beginning of year	<u>457,010</u>
End of year	<u>\$ 298,518</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 495,047</u>
Supplemental disclosure of noncash investing activities:	
Right-of-use assets obtained from financing lease liabilities	\$ 13,959,542
Right-of-use assets obtained from operating lease liabilities	<u>268,393</u>
	<u>\$ 14,227,935</u>
Supplemental disclosure of property and equipment cash flow information:	
Property and equipment additions during the year	\$ 2,598,783
Less: nonfinancial contributed assets	<u>(2,539,167)</u>
Cash paid for purchases of property and equipment	<u>\$ 59,616</u>

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

	Function			Totals
	Program Services	Operations and Maintenance	General and Administrative	
Contracted services	\$ 4,096,664	\$ 118,965	\$ 2,512,982	\$ 6,728,611
Depreciation and amortization	205,104	412,425	125,441	742,970
Materials and supplies	446,821	259,781	33,759	740,361
Interest	-	494,922	125	495,047
Student transportation	460,669	-	-	460,669
Food and beverage	314,992	-	-	314,992
Rent	-	286,186	-	286,186
Utilities	-	184,291	-	184,291
Operating lease	-	180,452	-	180,452
Insurance	-	-	160,504	160,504
Repairs and maintenance	-	64,629	-	64,629
Property taxes	-	16,683	-	16,683
Telephone and internet	6,442	-	3,840	10,282
Legal	-	-	9,642	9,642
Recruiting	6,049	-	-	6,049
Other	28,785	27,766	-	56,551
Total expenses	\$ 5,565,526	\$ 2,046,100	\$ 2,846,293	\$ 10,457,919

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

Helix Network of Educational Choices (the Academies) established its first educational institution, Helix Mentorship Academy, on July 1, 2010, as a non-profit corporation under the laws of the State of Louisiana. In 2021, the Academy expanded its operations by establishing two additional institutions, Helix Legal Academy and Helix Aviation Academy. The Academies currently operate under a contract with the East Baton Rouge Parish School System (EBRPSS) to operate as Type 1 charter schools. The Academies are public, tuition free, charter schools for students in sixth, seventh, and eighth grade (Helix Aviation and Helix Legal Academy) and students in ninth through twelfth grade (Helix Mentorship Academy). On February 27, 2023, the Academies were awarded two charter contracts with St. Landry Parish School Board to operate two Type 1 charter schools in St. Landry Parish. Helix Artificial Intelligence and Medical Academy and Helix Energy and Agriculture Academy are scheduled to open in the fall of 2025 and 2026, respectively. The mission of the Academies is to develop young adults who learn continuously as our economies and communities change through mentoring relationships with industry professionals.

The Academies started their eleventh year with approximately 571 students for the 2022-2023 school year. This was an increase from 496 students for the 2021-2022 school year. For the 2023-2024 school year, enrollment at the Academies increased to 875 students. As the Academies continue to expand their enrollment, the Academies have been awarded grants from New Schools of Baton Rouge and federal sources to assist the Academies in expanding their personnel and operations over the next three to five fiscal years, beginning with the 2023-2024 fiscal year.

Basis of consolidation

The assets, liabilities, net assets, revenues and expenses of Helix Network of Educational Choices and HCS Baton Rouge have been consolidated as Helix Network of Educational Choices (the Academies). Helix Network of Educational Choices has a charter school contract with EBRPSS for the operation of Helix Mentorship Academy. HCS Baton Rouge has two charter school contracts with EBRPSS for the operation of Helix Aviation Academy and Helix Legal Academy. Helix Network of Educational Choices and HCS Baton Rouge are controlled by the same governing board. All significant intercompany transactions have been eliminated in consolidation.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement presentation

The consolidated financial statements of the Academies have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Academies report information regarding financial position and activities according to the two classes of net assets as follows:

Net assets without donor restrictions are net assets that are for general use and not subject to restriction.

Net assets with donor restriction are net assets subject to donor-imposed stipulations that may or will be met by actions of the Academies and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The consolidated statement of activities presents expenses of the Academies' operations functionally between program services, operations and maintenance, and general and administrative.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, compensated absences, right-of-use assets, amortization, contributed nonfinancial assets, and allocation of functional expenses.

Revenues and support

The Academies receive significant portions of their revenue from the Minimum Foundation Program (MFP) through EBRPSS. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes on a per student basis.

Other funding sources of the Academies are related to federal funds that are provided through the Louisiana Department of Education and the East Baton Rouge Parish School Board. These federal funds are typically for food service that is based on the number of students, which is restricted in use. A portion of the Academies revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Academies incur expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. There were no refundable advances as of June 30, 2023.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and support (Continued)

The Academies recognize contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions. The Academies did not have any promises to give at June 30, 2023.

Contributions of nonfinancial assets

Donated services and assets are recorded at estimated fair value on the date of donation. The Academies received contributions of nonfinancial assets during 2023 related to buildings, furniture and fixtures, and accounting services. See Note 8.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts

Receivables

Receivables are stated at the amount management expects to collect. Management considers all amounts to be collectible; therefore, no allowance has been recorded at June 30, 2023. The Academies had receivables in the amount of \$12,162 outstanding that were greater than 90 days at June 30, 2023. Accounts receivable as of July 1, 2022 was \$514,264.

Functional expenses

Directly identifiable expenses are charged to programs and supporting services. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. The consolidated financial statements of the Academies report certain categories of expenses that are attributable to more than one program or supporting function. The expenses are allocated based on estimated time and effort.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rate offered for debt of comparable maturities and collateral requirements. None of the financial instruments are held for trading purposes.

Property and equipment

Property is recorded at cost less accumulated depreciation. The policy of the Academies requires assets with unit cost greater than \$500 to be capitalized as property. If an asset is donated to the Academy by a third party, its fair market value at the time of the acquisition shall be considered as the acquisition cost. Property acquired with grant funds are disposed of in accordance with grantor requirements. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenses for maintenance and repairs are expensed as incurred.

Leases

Effective July 1, 2022, the first day of fiscal 2023, the Academies adopted the requirements of ASU No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) which is intended to increase transparency and comparability of accounting for lease transactions. For all lease with terms greater than 12 months, the new guidance requires lessees to recognize right-of-use asset and corresponding lease liabilities on the balance sheet and to disclose qualitative and quantitative information about lease transactions. The new standard maintains a distinction between finance leases and operating leases.

The Academies determine if an arrangement contains a lease at inception. Leases are then classified as either operating or finance leases depending on the characteristics of the lease. Right-of-use (ROU) assets represent the Academies’ right to control the use of a specified asset for the lease term, and lease liabilities represent the Academies’ obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments; the Academies use the risk-free discount rate when the discount rate is not implicit in the lease. The lease term is the non-cancellable period of the lease, including any options to extend, purchase, or terminate the lease depending on whether the Academies are reasonably certain to exercise those options.

The costs associated with operating leases are recognized on a straight-line basis over the period of the leases. Finance leases ROU assets are amortized on a straight-line basis over the shorter of the estimated useful lives or the lease terms, and interest expense incurred is on the lease liabilities is included in interest expense. If the lease transfers ownership to the Academies or the Academies are reasonably certain to exercise the option to purchase the underlying asset, the ROU asset is amortized to the end of the useful life of the underlying asset. Assumptions made by the Academies at the commencement date are re-evaluated upon occurrence of certain events, including lease modifications when that modification is not accounted for as a separate contract.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Academies do not recognize ROU assets and lease liabilities on short-term leases but recognize lease expense for these leases on a straight-line basis over the lease terms and any variable lease payments in the period in which the obligation for those payments are incurred.

See Note 3 for additional information and disclosures regarding leases.

Advertising

Advertising expenses are expensed as incurred and totaled \$6,049 for the fiscal year ended June 30, 2023. This is included in the statement of functional expenses as recruiting expense.

Compensated absences

The compensated absence policy of the Academies states instructional staff members can earn up to seven days of vacation and sick leave during the fiscal year, are allowed to carryover unused vacation and sick days from year to year. After three years of service, employees are eligible to receive a payout of any unused paid time off. A request for payout must be made to the Supervisor for approval. Non-instructional staff members may earn up to fifteen vacation and sick days and can carryover five days at year end, for a maximum annual benefit of twenty days. At June 30, 2023, the Academies had \$56,161 of accrued compensated absences.

Tax exempt status

The Academies are each a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740 *Income Taxes*. As of June 30, 2023, the Academies have no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements. The open audit periods of the Academies are 2020 through 2023.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current accounting standards implemented

The Academies implemented ASU 2016-02, *Leases (Topic 842)*, effective July 1, 2022. The ASU’s core principle is that a “lessee should recognize the assets and liabilities that arise from leases”. The ASU considered that “all leases create an asset and a liability,” and accordingly requires recording the assets and liabilities related to all leases with a term greater than twelve months. Concurrent with the implementation of ASU 2016-02, the Academies adopted ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which is intended to simplify the transition requirement giving the Academies the option to apply the transition provisions of the new standard at the date of adoption instead of at the earliest comparative period. In implementing these ASUs, the Academies elected the practical expedient provided in ASU 2016-02 and applied to all lease agreements using the modified retrospective method, and when implemented with ASU 2018-11, allowed the Academies to recognize the right-of-use lease assets and lease liabilities on its balance sheet beginning on July 1, 2022 without restating prior periods. In adopting the standard on July 1, 2022, the Academies recognized right-of-use assets - financing lease with correlating lease liabilities totaling \$13,959,542 and 14,547,331, respectively. Additionally, the Academies recognized right-of-use assets - operating lease with correlating lease liabilities totaling \$268,393. Implementation of those standards had no material effect on net income; therefore, no adjustment to net assets was recorded. The adoption of the standards had no material effect on cash flows. See Note 3.

Subsequent events

Subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements were evaluated through March 6, 2024, which was the date the consolidated financial statements were available to be issued. See Note 14.

NOTE 2 - PROPERTY AND EQUIPMENT

Property, service lives, and accumulated depreciation at June 30, 2023 were as follows:

	Estimated Service Lives	Amount
Buildings	20 years	\$ 1,305,275
Leasehold improvements	5-20 years	1,586,844
Furniture, fixtures, and equipment	3-15 years	2,613,193
		5,505,312
Less accumulated depreciation		(1,965,848)
Property and equipment, net		\$ 3,539,464

Depreciation expense was \$327,368 for 2023.

(continued)

NOTE 3 - LEASES

The Academies incurred the following lease costs for the year ended June 30, 2023:

	Amount
Finance lease expense	
Amortization of right-of-use assets	\$ 415,602
Interest on lease liabilities	450,121
Operating lease expense	180,452
Total	\$ 1,046,175

Finance leases

The Company has right-of-use leased assets for a building and a copier through financing leases. The leases are paid in monthly installments ranging from \$3,264 to \$52,780. The carrying liability is recorded at the present value of the future lease payments using a weighted-average discount rate equal to the U.S. Treasury Rate (3.11%) as of July 1, 2022, which is when the initial valuation of the liabilities were recorded. The leases are set to mature between May 2024 and June 2056, for a weighted average remaining lease term of 32.91 years. The leases contain renewal options in which renewal is not considered reasonably certain.

Finance lease assets, related service life, and accumulated amortization at June 30, 2023 are as follows:

	Estimated Service Lives	Amount
Building	20 years	\$ 13,953,718
Equipment	5 years	5,824
		13,959,542
Less accumulated amortization		(415,602)
Total		\$ 13,543,940

Amortization expense for the year ended June 30, 2023 was \$415,602.

The Academies have financing lease liabilities of \$14,383,723 as of June 30, 2023, with \$195,523 maturing within the next year.

Operating leases

The Academies have right-of-use leased assets for a buildings through operating leases. The leases are paid in monthly installments ranging from \$3,539 to \$10,927. The carrying liability is recorded at the present value of the future lease payments using a weighted-average discount rate equal to the U.S. Treasury Rate (2.84%) as of the respective date in which the initial valuation of the liabilities were recorded. The leases are set to mature between November 2023 and July 2024, for a weighted average remaining lease term of 0.72 years. The leases contain renewal options in which renewal is not considered reasonably certain.

NOTE 3 - LEASES (CONTINUED)

Operating leases (Continued)

The Academies have operating lease liabilities of \$103,334 as of June 30, 2023, with \$99,627 maturing within the next year.

See Note 10 for rent expense incurred during the fiscal year ended June 30, 2023, related to short-term leases.

Future maturities and weighted averages of lease liabilities

Future maturities of lease liabilities as of June 30, 2023 are as follows:

Year ending June 30th	Financing	Operating
2024	\$ 640,133	\$ 100,686
2025	687,920	3,716
2026	753,188	-
2027	704,881	-
2028	701,910	-
Thereafter	19,501,361	-
Total undiscounted cash flows	22,989,393	104,402
Less: present value discount	(8,605,670)	(1,068)
Total lease liabilities	<u>\$ 14,383,723</u>	<u>\$ 103,334</u>

NOTE 4 - NOTES PAYABLE

On July 21, 2022, the Academies entered into a note payable for equipment. The note is due in monthly installments of \$2,827 at an annual interest rate of 6.25%. The note matures July 2027 and is secured by the underlying equipment. The balance of the note payable at June 30, 2023 is \$121,660.

On October 26, 2022, the Academies entered into a note payable in exchange for a equipment. The note is due in an initial payment of \$13,000 and monthly installments of \$1,200. While the agreement does not express and explicit rate the note payable is recorded at its present value of future payments using an implicit interest rate of 5.13%. Interest expense related to the discount was \$711 during the year ended June 30, 2023. The balance of the note payable at June 30, 2023 is \$19,344.

On November 10, 2022, the Academies entered into a note payable in exchange for a reduction of amounts due related to the Academies accounts payable for services previously provided by the vendor. The note is due in monthly installments of \$7,847 commencing on December 1, 2023, at an annual interest rate of 4%. The note matures November 10, 2024. The balance of the note payable at June 30, 2023 is \$92,192.

NOTE 4 - NOTES PAYABLE (CONTINUED)

Future maturities of notes payable as of June 30, 2023 are as follows:

Year ending June 30th	Amount
2024	\$ 90,379
2025	77,073
2026	30,683
2027	32,657
2028	2,404
Total	\$ 233,196

NOTE 5 - LINES OF CREDIT

In July 2022, the Academies entered into two variable interest rate (prime rate of the lender plus 1.6%, for an effective rate of 9.85% at June 30, 2023) revolving lines of credit with a borrowing limits of \$100,000, combing for a total of \$200,000. The lines of credit mature on July 21, 2024. The lines of credit are payable on demand and guaranteed by a member of the management company of the Academies. The outstanding balance of the lines of credit at June 30, 2023 is \$200,000, collectively.

In May 2023, the Academies entered into a variable interest rate (prime rate of the lender, for an effective rate of 8.25% at June 30, 2023) revolving line of credit with a borrowing limit of \$250,000. The line of credit matures on May 12, 2024. The line of credit is payable on demand and guaranteed by a member of the management company of the Academies. The outstanding balance of the line of credit at June 30, 2023 is \$249,996.

The total balance on all lines of credit of the Academies at June 30, 2023 is \$449,996.

NOTE 6 - NET ASSETS

With donor restrictions

Net assets with donor restrictions consists of amounts restricted for specific purposes, available for property acquisitions, and campus improvements.

Purpose	2022	Additions	Deletions	2023
Subject to satisfaction of purpose restrictions:				
Playground improvements	\$ 30,000	\$ -	\$ -	\$ 30,000

NOTE 7 - RETIREMENT PLAN

The Academies sponsor an Internal Revenue Code Section 403(b) Plan which covers substantially all employees of the Academy immediately upon employment. Employees may contribute up to the lesser of \$22,500 or 100% of includable compensation. The Academy matches 100% of the employee's elective contribution to the retirement plan, not to exceed 4% of the employee's compensation. Employer contributions reimbursed by the Academies as a direct expense through its contracted services agreement were \$50,646 for 2023.

NOTE 8 - CONTRIBUTED NONFINANCIAL ASSETS

In-kind donations recognized by the Academies during the year 2023 as follows:

	Amount
Buildings	\$ 1,305,275
Furniture, fixtures, and equipment	1,223,892
Accounting services	10,000
Total	\$ 2,539,167

NOTE 9 - CONCENTRATIONS

Revenues and receivables

The Academies receives the majority of operating revenue from state and federal grants. The percentage of revenue and receivables from these sources is as follows:

	Revenues	Receivables
Minimum Foundation Program (MFP) grant	63%	72%
Contributions of nonfinancial assets	20%	0%
Federal grants	12%	28%
Other	2%	0%
Contributions	3%	0%
	100%	100%

Credit risk

The Academies typically maintains cash in local banks that may, at times, exceed Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 per financial institution. Management believes the risk is limited. The Academies did not have exposure above the FDIC limit as of June 30, 2023.

(continued)

NOTE 10 - COMMITMENT AND CONTINGENCIES

Lease - Aviation Academy

The Academies entered into a twelve-month lease agreement to rent land and buildings used in operations effective July 1, 2022. Monthly rent under the lease agreement is \$16,800 with an option to renew annually. The agreement contains deferred payments for one year to be repaid monthly beginning July 2023. If the option to renew is exercised, previously deferred amounts will be paid in addition to a monthly rent expense of \$16,800.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Academies' financial assets available within one year of the consolidated balance sheet date for general expenditure are as follows.

	Amount
Financial assets, at year end	
Cash	\$ 298,518
Receivables	973,386
Less: Net assets with donor restrictions	(30,000)
Financial assets available within on year, at year end	\$ 1,241,904

As part of the Academies' liquidity management, the Academies maintains sufficient cash funds during the year attributable to the annual cash receipts from federal, state, and local grants, and contributions from foundations and individuals. To help manage unanticipated liquidity needs, the Academies' have committed three lines of credit in the amount of \$250,000, \$100,000, and \$100,000 which it could draw upon. As of June 30, 2023, \$4 was available.

NOTE 12 - AFFILIATED ORGANIZATIONS

Management company

The Academies have a contract for certain management and administrative services with Helix Community Schools, which is based on 15 percent of revenues from the Minimum Foundation Program (MFP). Also, the management company will pay certain direct expenses, which the Academies will reimburse the management company. The Academies incurred the following cost related contracted services provided by the management company for the year ended June 30, 2023:

	Amount
Contracted Service:	
Salaries and benefits	\$ 4,786,388
Professional services and management fee	1,199,186
Total	\$ 5,985,574

NOTE 12 - AFFILIATED ORGANIZATIONS (CONTINUED)

Management company (Continued)

The Academies' payable due to the management company, net was \$280,201 at June 30, 2023. The amounts have no set repayment terms. Helix Community Schools' governing board is independent of the Academies' governing board with no overlapping board members.

Helix STEAM Properties

As described in Note 3, the Academies lease space for Mentorship Academy and Legal Academy from Helix STEAM Properties. In June 2021, Helix STEAM Properties issued tax-exempt bonds for the purpose of financing the acquisition, renovation, and equipping of facilities for the operation of Mentorship and Legal Academy. The purpose of the acquisition was to support the Academies, where the Academies would enter into an agreement with Helix STEAM Properties to lease the facilities and make monthly lease payments in amounts sufficient to pay the monthly principal and interest obligations of the tax-exempt bond. Helix STEAM Properties governing board is independent of the Academies' governing board.

NOTE 13 - CORRECTION OF ERROR

During the fiscal year ended June 30, 2023, the Academies restated its net assets to properly reflect amounts previously reported for property and equipment at June 30, 2022. The effect of this restatement on net assets is as follows:

	<u>Amount</u>
Net assets at June 30, 2022, as previously reported	\$ (33,700)
Effect of restatements:	
Addition of construction in progress	<u>31,896</u>
Net assets at June 30, 2022, restated	<u>\$ (1,804)</u>

NOTE 14 - SUBSEQUENT EVENTS

On August 9, 2023, the Academies entered into a note payable in the amount of \$247,491 for expansion of the Academies. The note is due in monthly installments of \$5,027 at an annual interest rate of 7.95%. The note matures August 2028 and collateralized by the deposits of the Academies held with the creditor's institution.

On September 19, 2023, the Academies entered into a multiple advance note payable for costs related to expansion of the Academies in the amount of \$900,000. As of March 6, 2024, the Academies have disbursed \$151,908. The note is due in monthly installments of \$7,669 at an annual interest rate of 8.25%. The note matures September 19, 2029, and collateralized by the deposits of the Academies held with the creditor's institution.

SUPPLEMENTARY INFORMATION

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

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

For the year ended June 30, 2023

Agency Head: Arthur R. Cooper, Board Chair

No compensation paid from public funds.

HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed through the Louisiana Department of Education/Child Nutrition Cluster			
School Breakfast Program	10.553	Unavailable	\$ 96,042
National School Lunch Program	10.555	Unavailable	<u>317,959</u>
Total Child Nutrition Cluster			<u>414,001</u>
Total U.S. Department of Agriculture			<u>414,001</u>
U.S. Department of Education			
Passed through East Baton Rouge Parish School System			
* Education Stabilization Fund			
*COVID-19 Education Stabilization Fund - ESSER II Formula	84.425D	20938	162,633
*COVID-19 Education Stabilization Fund - ESSER III Formula	84.425U	20939	<u>690,022</u>
*Total Education Stabilization Fund			852,655
Title I Grants to Local Educational Agencies	84.010	20977	154,212
Supporting Effective Instruction State Grants (Title II)	84.367	20945	16,557
Student Support and Academic Enrichment Program (Title IV)	84.424A	20991	<u>12,060</u>
Total U.S. Department of Education			<u>1,035,484</u>
U.S. Department of Health and Human Services			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20984	<u>40,233</u>
Total U.S. Department of Health and Human Services			<u>40,233</u>
Total Expenditures of Federal Awards			<u>\$ 1,489,718</u>

* Major Program

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Helix Network of Educational Choices (the Academies) under programs of the federal government for the year ended June 30, 2023. Information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of the Academies; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Academies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Academies have elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The Academies did not receive any federal noncash assistance for the year ended June 30, 2023.

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2023

ASSETS

	Mentorship Academy	Helix Legal Academy	Helix Aviation Academy	Eliminations	Total
CURRENT ASSETS					
Cash	\$ 184,488	\$ 59,563	\$ 54,467	\$ -	\$ 298,518
Receivables	685,253	123,538	164,595	-	973,386
Intercompany receivable	-	-	170,573	(170,573)	-
Prepaid expenses and other	<u>12,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,522</u>
Total current assets	<u>882,263</u>	<u>183,101</u>	<u>389,635</u>	<u>(170,573)</u>	<u>1,284,426</u>
NONCURRENT ASSETS					
Right-of-use assets - financing lease	13,541,293	2,647	-	-	13,543,940
Right-of-use assets - operating lease	-	92,939	-	-	92,939
Property and equipment, net	<u>2,172,895</u>	<u>-</u>	<u>1,366,569</u>	<u>-</u>	<u>3,539,464</u>
Total noncurrent assets	<u>15,714,188</u>	<u>95,586</u>	<u>1,366,569</u>	<u>-</u>	<u>17,176,343</u>
Total assets	<u>\$ 16,596,451</u>	<u>\$ 278,687</u>	<u>\$ 1,756,204</u>	<u>\$ (170,573)</u>	<u>\$ 18,460,769</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 529,873	\$ 41,271	\$ 158,982	\$ -	\$ 730,126
Due to management company, net	41,377	53,047	185,777	-	280,201
Compensated absences	33,686	7,493	14,982	-	56,161
Intercompany payable	116,933	53,640	-	(170,573)	-
Student activity funds	18,355	-	-	-	18,355
Note payable, current portion	48,298	731	41,350	-	90,379
Current portion of financing lease liabilities, net present value discount	192,838	2,685	-	-	195,523
Current portion of operating lease liabilities, net present value discount	-	99,627	-	-	99,627
Lines of credit	<u>249,995</u>	<u>99,995</u>	<u>100,006</u>	<u>-</u>	<u>449,996</u>
Total current liabilities	<u>1,231,355</u>	<u>358,489</u>	<u>501,097</u>	<u>(170,573)</u>	<u>1,920,368</u>
LONG-TERM LIABILITIES					
Financing lease liabilities, net of current portion and present value discount	14,188,200	-	-	-	14,188,200
Operating lease liabilities, net of current portion and present value discount	-	3,707	-	-	3,707
Notes payable, less current portion	<u>35,348</u>	<u>629</u>	<u>106,840</u>	<u>-</u>	<u>142,817</u>
Total long-term liabilities	<u>14,223,548</u>	<u>4,336</u>	<u>106,840</u>	<u>-</u>	<u>14,334,724</u>
Total liabilities	15,454,903	362,825	607,937	(170,573)	16,255,092
NET ASSETS (DEFICIT)					
With donor restrictions	1,111,548	(84,138)	1,148,267	-	2,175,677
Without donor restrictions	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total net assets (deficit)	<u>1,141,548</u>	<u>(84,138)</u>	<u>1,148,267</u>	<u>-</u>	<u>2,205,677</u>
Total liabilities and net assets (deficit)	<u>\$ 16,596,451</u>	<u>\$ 278,687</u>	<u>\$ 1,756,204</u>	<u>\$ (170,573)</u>	<u>\$ 18,460,769</u>

See Independent Auditors' report

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2023

	<u>Mentorship Academy</u>	<u>Helix Legal Academy</u>	<u>Helix Aviation Academy</u>	<u>Total</u>
REVENUES AND SUPPORT				
State grant - Minimum Foundation Program	\$ 5,450,023	\$ 985,783	\$ 1,558,766	\$ 7,994,572
Federal grants	985,604	273,301	230,813	1,489,718
Contributions	350,139	-	45,000	395,139
Contributions of nonfinancial assets	1,418,007	-	1,121,160	2,539,167
Income from meals	17,713	1,372	65	19,150
Other income	205,715	7,278	14,661	227,654
	<u>8,427,201</u>	<u>1,267,734</u>	<u>2,970,465</u>	<u>12,665,400</u>
EXPENSES				
Contracted services	4,828,516	695,675	1,204,420	6,728,611
Depreciation and amortization	591,030	3,177	148,763	742,970
Materials and supplies	390,998	152,736	196,627	740,361
Interest	472,645	7,665	14,737	495,047
Student transportation	366,773	31,665	62,231	460,669
Food and beverage	268,628	8,769	37,595	314,992
Rent	83,142	5,190	197,854	286,186
Utilities	127,926	887	55,478	184,291
Operating lease	-	180,452	-	180,452
Insurance	160,504	-	-	160,504
Repairs and maintenance	23,790	4,656	36,183	64,629
Property taxes	16,683	-	-	16,683
Telephone and internet	5,647	-	4,635	10,282
Legal	8,938	352	352	9,642
Recruiting	77	2,726	3,246	6,049
Other	48,422	4,182	3,947	56,551
	<u>7,393,719</u>	<u>1,098,132</u>	<u>1,966,068</u>	<u>10,457,919</u>
Change in net assets	<u>\$ 1,033,482</u>	<u>\$ 169,602</u>	<u>\$ 1,004,397</u>	<u>\$ 2,207,481</u>

See Independent Auditors' report

Reports on Internal Control and Compliance

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

June 30, 2023

**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
Helix Network of Educational Choices
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 the *Louisiana Governmental Audit Guide* and *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies) (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, cash flows, and functional expenditures for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 6, 2024.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-003, and 2023-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

The Academies' Response to Findings

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

Purpose of this Report

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

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



Certified Public Accountants

Baton Rouge, Louisiana
March 6, 2024

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

To the Board of Directors
Helix Network of Educational Choices
Baton Rouge, Louisiana

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies) (a nonprofit organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Academies major federal program for the year ended June 30, 2023. The Academies' 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 Academies 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, 2023.

Basis for Opinion on Major Federal Program

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

We are required to be independent of the Academies and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Academies' 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 control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academies' 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 Academies' 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, *Louisiana Governmental Audit Guide*, *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 Academies' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Louisiana Governmental Audit Guide*, *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 Academies' 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 Academies' 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 Academies' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004 to be material weaknesses.

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 Academies' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Academies' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Certified Public Accountants

Baton Rouge, Louisiana
March 6, 2024

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2023

1) SUMMARY OF AUDITORS' RESULTS:

A) The type of report issued on the consolidated financial statements: **Unmodified Opinion.**

B) Significant deficiency in internal control were disclosed by the audit of consolidated financial statements: **2023-002.**

Material weaknesses: **2023-001, 2023-003, and 2023-004.**

C) Noncompliance that is material to the consolidated financial statements: **2023-001.**

D) Significant deficiencies in internal control over major programs: **None reported.**

Material weaknesses: **2023-003 and 2023-004.**

E) The type of report issued on compliance for major programs: **Unmodified Opinion.**

F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): **2023-003 and 2023-004.**

Identification of Major Programs:

U.S. Department of Education

East Baton Rouge Parish School System

1) COVID-19 - Education Stabilization Fund - ESSER II Formula

2) COVID-19 - Education Stabilization Fund - ESSER III Formula

G) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

H) Helix Network of Educational Choices did not qualify to be a low-risk auditee.

2) FINDINGS – FINANCIAL STATEMENT AND NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS:

2023-001 State Audit Law

Fiscal Year Finding Originated: 2022

Condition: The audited financial statements of the Academies were not submitted in the period prescribed by Louisiana Revised Statute (R.S.) 24:513.

2) FINDINGS – FINANCIAL STATEMENT AND NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS (CONTINUED)

2023-001 State Audit Law (Continued)

Criteria: Local auditees subject to the reporting requirements of the Louisiana Legislative Auditor are required to complete their annual audit within six months after their fiscal year-end.

Cause: The Academies were unable to perform their year-end close timely and therefore received a three-month extension for the annual audit.

Effect: Although the Academies requested an extension, which was approved, the Academies were technically not in compliance with R.S. 24:513 because the audit was not completed by the original deadline.

Recommendation: We recommend that the Academies implement procedures to enhance its month-end and year-end close procedures to improve the ability of the Academies to produce financial data to meet the criteria established by R.S. 24:513.

Views of responsible officials: See views of responsible officials on page 36.

2023-002 Credit Cards

Fiscal Year Finding Originated: 2023

Condition: We performed certain tests over credit card purchases during our performance of the statewide agreed upon procedures. Based on the testing performed over 36 transactions totaling \$8,437, the Academies were unable to provide support for 28 out of 36 transactions tested. The total of unsupported charges was approximately \$7,438. Although supporting documentation could not be provided for 28 transactions, the President of the Charter Management Organization (CMO) notated approval of the credit card charges through signature on the respective credit card statements selected for testing.

Criteria: The Academies credit card policy requires all purchases must receive approval prior to purchase and be accompanied by a purchase receipt. Furthermore, the Academies' credit card policy state that once the purchase has been completed, the receipt should be turned in to the finance department along with the documentation of approval.

Cause: The Academies did not maintain sufficient supporting documentation for these credit card transactions.

Effect: The Academies are not compliant with their internal financial policies and procedures regarding purchases made by use of credit cards. The lack of effective internal controls over the use of credit cards creates opportunities for fraud and/or abuse.

Recommendation: We recommend the Academies reinforce its current credit card policy to ensure all purchases are supported by a receipt and documentation of approval prior to the purchase being made as required by the Academies' financial policies and procedures.

Views of responsible officials: See views of responsible officials on page 36.

See Findings 2023-003 and 2023-004 in Section (3) Findings - Federal Award Findings and Questioned Costs.

3) FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-003 Internal Control Over Financial Reporting

Title and Assistance Listing Number of the Federal Program: 84.425D COVID-19 - Elementary and Secondary School Emergency Relief Fund; 84.425U COVID-19 - American Rescue plan - Elementary and Secondary School Emergency Relief

Fiscal Year Finding Originated: 2023

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Name of Federal Agency: Department of Education

Pass-through Agency: Louisiana Department of Education / East Baton Rouge Parish School Board

Questioned Costs: No questioned costs reported.

Condition: Significant audit adjustments were required to fairly present the consolidated financial statements and related Schedule of Expenditures of Federal Awards (SEFA).

Criteria: According to 2 CFR 200.508 “Auditee Responsibilities” the auditee must prepare appropriate financial statements, including the SEFA (as specifically defined under 2 CFR 200.510 “Financial statements”). Title 2 CFR 200.510 “Financial statements” requires recipients of Federal funds to prepare a SEFA for the period covered by the auditee’s financial statements, which must include the total Federal awards expended. In addition, as noted in 2 CFR 200.302 “Financial management”, the financial management system of each non-Federal entity must provide for identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received, and records that identify adequately the source and application of funds for federally-funded activities including expenditures.

When federal expenditures are incurred over \$750,000, a Single Audit is required to be performed under *Uniform Guidance*. Failure to properly record federal expenditures could cause the Academies to not have a Single Audit performed, or have it performed improperly, which would be considered noncompliant with *Uniform Guidance*.

(continued)

3) FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2023-003 Internal Control Over Financial Reporting (Continued)

Cause: The impacts of the financial statement audit adjustments are as follows:

- Accounts receivable and revenue related to Employee Retention Tax Credits were overstated by \$600,000.
- Revenues and expenditures related to reimbursement-based federal grants included in testing as a major program were understated \$426,863. The Academies did not record certain grant revenues and expenditures for expenditures paid directly by the granting agency on behalf of the Academies. This adjustment impacted the SEFA and financial statements.
- Revenue related to Child Nutrition Program funds were overstated \$19,150. This adjustment impacted the SEFA and financial statements.
- Adjustments to property and equipment resulting in a net increase to net assets of \$29,583.
- Adjustments to accumulated depreciation resulting in a net decrease in net assets of \$54,906.
- Adjustments to inter-school payable amounts resulting in a net increase in net assets of \$23,015.
- Adjustments to accounts payable resulting in a net increase in net assets of \$60,179.
- Adjustments to due to management company resulting in a net increase in net assets of \$45,903.
- Adjustments to compensated absences resulting in a net decrease in net assets of \$24,391.

Effect: The consolidated financial statements and related SEFA required material adjustments in order to be presented fairly. A lack of accounting practices can cause potential misstatements to remain unidentified and cause the financial statements and related schedules to be misleading. Noncompliance with *Uniform Guidance* may result in a temporary suspension of federal awards.

Recommendation: We recommend the Academies implement monthly financial statement closing procedures which capture all relevant information necessary to reconcile accounts to supporting documentation on a timely basis. These procedures should include implementing internal controls over recording and monitoring revenues related to federal awards to ensure accuracy of funds recorded.

Views of responsible officials: See views of responsible officials on page 36.

2023-004 Documentation of Review and Approval of Disbursements

Title and Assistance Listing Number of the Federal Program: 84.425D COVID-19 - Elementary and Secondary School Emergency Relief Fund; 84.425U COVID-19 - American Rescue plan – Elementary and Secondary School Emergency Relief

Fiscal Year Finding Originated: 2023

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Name of Federal Agency: Department of Education

Pass-through Agency: Louisiana Department of Education / East Baton Rouge Parish School Board

3) FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2023-004 Documentation of Review and Approval of Disbursements (Continued)

Questioned Costs: No questioned costs reported.

Condition: The Academies were not consistently able to provide documentation of review and approval of transactions tested.

Criteria: As noted in 2 CFR 200.303 “Internal controls”, non-Federal entities must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Cause: For non-payroll items, 9 out of 21 transactions tested did not have sufficient documentation notating review and approval of the non-payroll disbursements. As a result, internal controls over non-payroll disbursements were not operating effectively.

For payroll items, 8 out of 26 payroll transactions tested did not have sufficient documentation notating review and approval of the payroll costs. The Academies changed their payroll service provider during the fiscal year and did not retain pertinent information regarding approval of payroll from the previous payroll provider, to which the exceptions are derived from.

Effect: Disbursements that lack supervisory review and approval are at greater risk of being improper due to fraud or error.

Recommendation: The Academies should ensure internal controls are operating effectively and that documentation of internal controls is maintained to demonstrate the effectiveness of the control.

Views of responsible officials: See views of responsible officials on page 36.

HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2023

2022-001 State Audit Law

This matter has been reclassified as item 2023-001.

2022-002 Student Enrollment Files

This matter is considered resolved.



CORRECTIVE ACTION PLAN

2023-001 State Audit Law

Views of Responsible Officials: Management concurs with this matter and has begun the implementation of the aforementioned recommendation to improve the timeliness and accuracy of the month-end close process. Since their inception, the Academies had outsourced its accounting function to an outside company. Management has now moved that function in-house and hired a full-time finance director to oversee all accounting functions. The finance director will also be responsible for monitoring all financial policies and procedures.

Responsible Person: Preston Castille, Jr., Helix Community Schools, President

Anticipated Remediation Date: Fiscal year ended June 30, 2024

2023-002 Credit Cards

Views of Responsible Officials Management concurs with this matter and intends to reinforce the established financial policies and procedures regarding purchases made by use of credit cards. Since their inception, the Academies had outsourced its accounting function to an outside company. Management has now moved that function in-house and hired a full-time finance director to oversee all accounting functions. The finance director will also be responsible for monitoring all financial policies and procedures.

Responsible Person: Preston Castille, Jr., Helix Community Schools, President

Anticipated Remediation Date: Fiscal year ended June 30, 2024

2023-003 Internal Control Over Financial Reporting

Views of Responsible Officials: Management concurs with the recommendation above. Management will ensure policies and procedures over financial reporting which capture all required adjustments necessary to fairly present consolidated financial statements. Since their inception, the Academies had outsourced its accounting function to an outside company. Management has now moved that function in-house and hired a full-time finance director to oversee all accounting functions. The finance director will also be responsible for monitoring all financial policies and procedures.

Responsible Person: Preston Castille, Jr., Helix Community Schools, President

Anticipated Remediation Date: Fiscal year ended June 30, 2024

2023-004 Documentation of Approval and Review of Cash Disbursements

Views of Responsible Officials: Management concurs with the recommendation above. Management will ensure internal controls are operating effectively and documentation of controls is maintained for a reasonable period of time, to at least include until the expiration of audit or other relevant compliance requirements. Since their inception, the Academies had outsourced its accounting function to an outside company. Management has now moved that function in-house and hired a full-time finance director to oversee all accounting functions. The finance director will also be responsible for monitoring all financial policies and procedures.

Responsible Person: Preston Castille, Jr., Helix Community Schools, President

Anticipated Remediation Date: Fiscal year ended June 30, 2024

Preston J. Castille, Jr.

Preston Castille, Jr.
Helix Community Schools, President

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

MANAGEMENT LETTER

June 30, 2023

To the Board of Directors
Helix Network of Educational Choices
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies) as of and for the year ended June 30, 2023 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 *Louisiana Governmental Audit Guide*, we considered the Academies internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academies internal control. Accordingly, we do not express an opinion on the effectiveness of the Academies internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We reported on the Academies internal control in our report dated March 6, 2024. This letter does not affect our report dated March 6, 2024 on the consolidated financial statements of the Academies.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel of the Academies, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized on Exhibit 1.

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


Certified Public Accountants

Baton Rouge, Louisiana
March 6, 2024

2023-001 Board Minutes

Observation: During the audit of the 2023 consolidated financial statements, board minutes were reviewed as part of our auditing procedures. In performing this procedure, we observed that the minutes did not document the results of significant discussion points and or action items of such discussion points on a consistent basis.

Recommendation: Board minutes should serve as a historical record of the decisions, discussions, and actions taken during board meetings. As such, we recommend the Academies to maintain board meeting minutes that log relevant discussion topics, decisions, and actions, as appropriate, on a consistent basis. Such discussions, decisions, and actions should relate to governance, operational, financial, and other matters.

2023-002 Personnel Costs

Observation: During the audit of the 2023 consolidated financial statements, certain tests were performed over personnel costs. As part of our tests, we requested and received all payroll registers related to payroll costs during the current fiscal year and compared them to amounts recorded in the accounting records for reasonableness. The results of our test indicated various employees were not recorded in the appropriate entity and adjustments were required to appropriately state these costs.

Recommendation: We recommend the Academies to regularly monitor and reconcile the accounting records to underlying payroll registers on a monthly basis by entity.

2023-003 Contract Approval and Monitoring

Observation: The Academies maintain financial policies and procedures related to contractors and consultants. Per the Academies' financial policies and procedures, all professional service contracts over \$15,000 for any one year must be reviewed and approved by the board of directors. As part of our tests, we selected a random sample of five contracts including one contract over the annual \$15,000 threshold. The results of our test indicated no board approval was documented for the execution of this annual contract in excess of \$15,000.

Recommendation: We recommend the Academies ensure all contracts greater than \$15,000 for any one year be approved by the board of directors to comply with their internal financial policies and procedures. Additionally, approval of such contracts should be documented in board minutes. Lastly, the Academies should maintain an active listing of contracts in effect during the fiscal year that documents contract timeline, purpose/ deliverables, and renewal options. This listing of contracts will assist the Academies in monitoring contractor performance, compliance with internal policies regarding contract renewals, procurement practices, and budgetary performance.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

For the year ended June 30, 2023

**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Louisiana
Helix Network of Educational Choices and
the Louisiana Legislative Auditor:

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

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

The procedures and schedule of exceptions are as follows:

1) Written Policies and Procedures

- A. 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:
- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. 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. *Alternatively, for those entities reporting on the not-for-profit 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.*

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

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A 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
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

- b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. 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).

12) Fraud Notice

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

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

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

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that 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).
- C. 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 that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended June 30, 2023

Exceptions:

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

Written Policies and Procedures:

1(A)(ii) The purchasing policy of the Academies does not address how vendors are added to the vendor list.

1(A)(vi) The Contracts policy of one of the three institutions tested does not address legal review or the monitoring of contracts.

1(A)(xi) One of the three institutions tested did not have Information Technology Disaster Recovery/Business Continuity policies and procedures, and as a result the areas of (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 are not covered by policies and procedures.

Board or Finance Committee:

2(A)(i) Of the three Academies tested, the Board of the one Academy did not meet at least ten times as established by the Bylaws of the institution.

2(A)(iv) The minutes of the Academies' included that the results of the audit were reviewed, but there was no documentation of updates on the progress of resolving audit findings according to management's corrective action plan, or whether the findings were considered resolved.

Bank Reconciliations:

3(A)(i) Of the five accounts observed, there was not documentation to demonstrate that the bank reconciliations for the month observed were performed within 2 months of the related statement close date.

3(A)(ii) Of the five accounts observed, no bank reconciliations contained evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks have reviewed the bank reconciliation.

Collections (excluding electronic funds transfers):

4(D)(i; ii; iv) For the 4 deposits observed totaling \$615,223, none of the collections were not deposited within one business day of receipt.

4(D)(iii) Of the 4 deposits observed totaling \$615,223, no deposit slip was provided for one deposit in the amount of \$272. Thus, we were unable to trace the deposit slip to the bank statement.

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

5(C)(ii) For seven payments observed totaling \$20,599, there was not adequate segregation of duties as observed under procedure #5B above. For 3 payments selected totaling \$1,024, there was no documentation of authorization of the payment by any means. For 3 payments observed totaling \$15,105 the payment was approved by an individual from the Academies by email, and there was no documentation that the payment was authorized by a check signer. For 1 payment observed totaling \$4,470, the payment was authorized electronically by an individual from the institution by email, who is not listed in the policies and procedures as an authorized check signer.

5(D) For all 5 electronic disbursements observed totaling \$4,175, the payment was not approved by only those persons authorized to disburse funds per the Academies' policy. For 3 of these 5 electronic disbursements observed totaling \$3,050, the payment was approved electronically by the Director of Operations, who is not an authorized check signer. For the other 2 electronic disbursements observed totaling \$1,125 there was no documented approval. One electronic disbursement of \$1,025 was not supported by an original itemized invoice.

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

6(B)(i) Of the five statements observed, there was documented approval on the statement, however, we were not provided with all receipts for the transactions selected in 6(C) and as a result cannot affirm that the documented review included supporting documentation for the transactions on the statements.

6(C) Of the 36 transactions observed, for 6 transactions totaling \$7,438 we were not provided with original itemized receipts or written documentation of the business/public purpose. As a result, we also could not determine whether these purchases were for meals and were not provided with documentation of individuals participating in. For 30 transactions observed, totaling \$7,901, we were not provided with written documentation of the business/public purpose.

Travel and Travel-Related Expense Reimbursements:

7(A)(i through iv) We were not provided with a listing of all travel and travel-related expense reimbursements during the fiscal period. Management represented all travel was incurred through credit cards.

Contracts:

8(A)(ii) Of the five contracts observed, one contract was required to be approved by the Board and was not.

8(A)(iv) Of the five contract payments selected totaling \$73,207, we were not able to verify that one contract payment totaling \$722 agreed to the contract terms.

Payroll and Personnel:

9(A) Of the five employees selected, for one employee the pay rate used was higher than the pay rate authorized per the individual's personnel file.

9(B)(i) Of the five employees selected, for two employees we were not provided with documentation to demonstrate that the employee documented their daily attendance and leave.

9(B)(iii) Of the five employees selected, for two employees we were not provided with documentation to demonstrate that any leave accrued or taken during the pay period was reflected in the entity's cumulative leave records.

9(B)(iv) Of the five employees selected, for one employee we were not provided with documentation to demonstrate that the rate paid to the employee for the pay period agreed to the authorized pay rate per the personnel file.

9(C) Of the two termination payments selected, we noted amounts of \$157 and \$211 were owed to these individuals for work performed, however we were not provided with documentation to demonstrate that the termination payments were made.

Information Technology Disaster Recovery/Business Continuity:

13(A)(B) We performed the related procedures and discussed the results with management.

The following procedures were deemed not applicable to the Academies due to them being a quasi-public organization:

10 Ethics

11 Debt Service

12 Prevention of Sexual Harassment

Management's Response:

Management of the Academies concurs with the exceptions identified and are in the process of addressing these matters.

We were engaged by the **HELIX NETWORK OF EDUCATIONAL CHOICES** 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 the **HELIX NETWORK OF EDUCATIONAL CHOICES** 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.


Certified Public Accountants

Baton Rouge, Louisiana
March 6, 2024