

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2021 and 2020

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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June 30, 2021 and 2020

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a non-profit organization) (the School) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LOUISIANA KEY ACADEMY** as of June 30, 2021 and 2020, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 18 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included on pages 28 and 29, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). We have applied limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon-Procedures on page 24. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
January 31, 2022

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

(See Independent Auditors' Report)

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 1,453,947	\$ 1,599,719
Receivables:		
Grants	62,266	70,289
Unconditional promises to give	<u>100,000</u>	<u>200,000</u>
Total current assets	1,616,213	1,870,008
PROPERTY, net	<u>3,844,462</u>	<u>4,104,614</u>
Total assets	<u>\$ 5,460,675</u>	<u>\$ 5,974,622</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 133,028	\$ 248,708
Lines of credit	1,531,905	2,037,404
Capital lease obligations, current portion	<u>7,445</u>	<u>38,232</u>
Total current liabilities	1,672,378	2,324,344
LONG-TERM LIABILITIES		
Note payable - Paycheck Protection Program	711,708	711,708
Capital lease obligations, less current portion	<u>6,671</u>	<u>15,925</u>
Total long-term liabilities	<u>718,379</u>	<u>727,633</u>
Total liabilities	2,390,757	3,051,977
NET ASSETS		
Without donor restrictions		
Undesignated	2,985,411	2,734,271
Board designated - capital campaign	30,000	30,000
With donor restrictions	<u>54,507</u>	<u>158,374</u>
Total net assets	<u>3,069,918</u>	<u>2,922,645</u>
Total liabilities and net assets	<u>\$ 5,460,675</u>	<u>\$ 5,974,622</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2021 and 2020

(See Independent Auditors' Report)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND SUPPORT						
Grants:						
State MFP grant	\$ 5,605,297	\$ -	\$ 5,605,297	\$ 5,131,087	\$ -	\$ 5,131,087
Federal grants	263,672	-	263,672	282,619	-	282,619
Other state and local grants	465,991	-	465,991	190,928	-	190,928
Contributions and events	240,062	50,058	290,120	111,897	126,815	238,712
Beforecare and aftercare	57,783	-	57,783	68,232	-	68,232
Miscellaneous	37,666	-	37,666	56,268	-	56,268
Total revenues and support	6,670,471	50,058	6,720,529	5,841,031	126,815	5,967,846
NET ASSETS RELEASED FROM RESTRICTIONS:						
Satisfaction of purpose restrictions	153,925	(153,925)	-	204,138	(204,138)	-
Total revenues, support, and net assets released from restrictions	6,824,396	(103,867)	6,720,529	6,045,169	(77,323)	5,967,846
EXPENSES						
Instructional	4,213,972	-	4,213,972	3,596,850	-	3,596,850
Operations and maintenance	1,117,818	-	1,117,818	998,103	-	998,103
Food services	183,499	-	183,499	171,627	-	171,627
Fundraising	177	-	177	16,312	-	16,312
General and administrative	1,057,790	-	1,057,790	809,986	-	809,986
Total expenses	6,573,256	-	6,573,256	5,592,878	-	5,592,878
Change in net assets	251,140	(103,867)	147,273	452,291	(77,323)	374,968
NET ASSETS						
Beginning of year	2,764,271	158,374	2,922,645	2,311,980	235,697	2,547,677
End of year	\$ 3,015,411	\$ 54,507	\$ 3,069,918	\$ 2,764,271	\$ 158,374	\$ 2,922,645

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

(See Independent Auditors' Report)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 147,273	\$ 374,968
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	422,144	332,649
Change in operating assets and liabilities:		
Decrease in receivables	108,023	1,595
Decrease in prepaid and other assets	-	9,289
(Decrease) increase in accounts payable and accrued expenses	(115,680)	31,727
Net cash provided by operating activities	561,760	750,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	(161,992)	(126,439)
Payments on construction in progress	-	(1,764,858)
Net cash used by investing activities	(161,992)	(1,891,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	-	1,299,533
Proceeds from Paycheck Protection Program note payable	-	711,708
Repayments of lines of credit	(505,499)	(165,825)
Payments on capital lease obligation	(40,041)	(40,501)
Net cash (used) provided by financing activities	(545,540)	1,804,915
Net (decrease) increase in cash	(145,772)	663,846
CASH		
Beginning of year	1,599,719	935,873
End of year	\$ 1,453,947	\$ 1,599,719
Supplemental disclosure of noncash investing and financing activities:		
Assets acquired through capital lease obligation	\$ -	\$ 29,017
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 89,565	\$ 102,718

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program					Total
	Instructional	Operations and Maintenance	Food Services	Fundraising	General and Administrative	
Salaries and wages	\$ 3,121,896	\$ -	\$ -	\$ -	\$ 507,478	\$ 3,629,374
Payroll taxes	230,847	-	-	-	36,822	267,669
Retirement contributions	81,095	-	-	-	27,105	108,200
Depreciation	-	422,144	-	-	-	422,144
Insurance	292,362	-	-	-	102,977	395,339
Rent	-	339,216	-	-	-	339,216
Professional services	212,723	-	-	-	98,173	310,896
Materials and supplies	111,841	30,171	-	107	66,384	208,503
Food and beverage	-	-	183,499	-	-	183,499
Repairs and maintenance	-	167,220	-	-	5,637	172,857
Technology	31,526	34,051	-	-	61,081	126,658
Utilities	-	125,016	-	-	1,606	126,622
Interest	-	-	-	-	93,734	93,734
Nurse and psychologist	59,832	-	-	-	-	59,832
Professional development	46,622	-	-	-	140	46,762
Dues and subscriptions	-	-	-	-	37,284	37,284
Advertising	-	-	-	70	17,974	18,044
Other	25,228	-	-	-	1,395	26,623
Total expenses	\$ 4,213,972	\$ 1,117,818	\$ 183,499	\$ 177	\$ 1,057,790	\$ 6,573,256

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program					Total
	Instructional	Operations and Maintenance	Food Services	Fundraising	General and Administrative	
Salaries and wages	\$ 2,742,174	\$ -	\$ -	\$ -	\$ 366,063	\$ 3,108,237
Payroll taxes	207,084	-	-	-	23,022	230,106
Retirement contributions	78,078	-	-	-	14,571	92,649
Depreciation	-	332,649	-	-	-	332,649
Insurance	248,695	25,059	-	-	71,441	345,195
Rent	-	256,549	-	-	-	256,549
Professional services	58,944	-	-	3,000	79,477	141,421
Materials and supplies	114,406	25,285	-	-	35,632	175,323
Food and beverage	-	-	171,627	6,138	-	177,765
Repairs and maintenance	-	234,448	-	-	-	234,448
Technology	28,363	46,677	-	-	38,630	113,670
Utilities	-	77,436	-	-	5,955	83,391
Interest	-	-	-	-	107,437	107,437
Nurse and psychologist	37,395	-	-	-	-	37,395
Professional development	73,464	-	-	-	16,916	90,380
Dues and subscriptions	-	-	-	-	17,974	17,974
Advertising	-	-	-	7,174	27,852	35,026
LDOE administrative fees	800	-	-	-	-	800
Other	7,447	-	-	-	5,016	12,463
Total expenses	\$ 3,596,850	\$ 998,103	\$ 171,627	\$ 16,312	\$ 809,986	\$ 5,592,878

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial statement presentation

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Revenue recognition and receivables

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the Louisiana State Board of Elementary and Secondary Education (BESE). The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes.

Other funding sources of the School are related to federal funds that are provided through the Louisiana Department of Education. These federal funds are solicited based on the needs of the School each year. The revenue is recognized when the School requests reimbursement from the Louisiana Department of Education.

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

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

Fair value financial instruments

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

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in a local bank that may, at times, exceed FDIC insured limits of \$250,000. The School deposits cash funds in high quality institutions to mitigate the risk due to uninsured exposure. The School's uninsured exposure was \$1,117,724 and \$1,240,481 at June 30, 2021 and 2020, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property

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

Personal time off

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

PTO is awarded as follows:

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

A PTO liability of \$22,112 has been recorded at June 30, 2021 and 2020 and reported under accrued expenses in the statement of financial position.

Functional expenses

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

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status

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

The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The School's open audit periods are 2018 through 2021.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give are recorded at present value. At June 30, 2021 and 2020, the value of promises to give are as follows:

	2021	2020
Receivable in less than one year	\$ 100,000	\$ 200,000

NOTE 3 - PROPERTY

Property, related service lives, and accumulated depreciation at June 30, 2021 and 2020 were as follows:

	Estimated Service Lives	2021	2020
Leasehold improvements	15	\$ 4,859,597	\$ 4,776,319
Playground equipment	10	83,278	83,278
Equipment	5 - 7 years	504,004	425,290
		5,446,879	5,284,887
Less accumulated depreciation		(1,602,417)	(1,180,273)
Property and equipment, net		\$ 3,844,462	\$ 4,104,614

Depreciation expense was \$422,144 and \$332,649 for the years ended June 30, 2021 and 2020, respectively.

Capital lease obligations

As of June 30, 2021 and 2020, the School has capitalized equipment acquired through capital leases with a cost of \$124,599. As of June 30, 2021 and 2020, the capitalized equipment has a corresponding accumulated depreciation of \$68,472 and \$43,553, respectively. Depreciation expense for these assets was \$24,919 and \$24,436 for the years ended June 30, 2021 and 2020, respectively.

NOTE 4 - LINES OF CREDIT

The School has a revolving line of credit with a borrowing limit of \$600,000. Interest is payable monthly at a rate of LIBOR plus 2.25%, which was 2.35% and 2.41% at June 30, 2021 and 2020, respectively. The outstanding balance on the line of credit was \$414,952 and \$528,229 at June 30, 2021 and 2020, respectively. This debt is secured by assets of the School.

The School has an additional revolving line of credit with a borrowing limit of \$100,823. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 3.25% and 5.50%, plus 1.00%, which was 4.25% at June 30, 2020. The outstanding balance on the line of credit was \$75,000 as of June 30, 2020. This line of credit was paid in full in September 2020 and matured on November 20, 2020, without renewal. This debt was secured by a certificate of deposit held in the name of a local supporter at the financial institution.

The School has a third revolving line of credit with a borrowing limit of \$500,000 as of June 30, 2021. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate plus a 5.00% floor, which was 5.00% and 5.16% at June 30, 2021 and 2020, respectively. The outstanding balance on the line of credit was \$343,209 and \$440,000 at June 30, 2021 and 2020, respectively. On June 6, 2021, the line of credit was renewed with new a maturity of May 22, 2022. This debt is unsecured.

The School entered into a fourth revolving line of credit with a borrowing limit of \$1,000,000 with an original maturity date of April 2021. The line of credit was renewed in August 2021 with a limit of \$773,744 and maturity date of August 2022. It is collateralized by the accounts held at the financial institution. See Note 12. Interest is payable monthly at a rate of 6.00% at June 30, 2021 and 2020. The outstanding balance on the line of credit was \$773,744 and \$994,175 at June 30, 2021 and 2020, respectively.

NOTE 5 - LONG-TERM LIABILITIES

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

Paycheck Protection Program (PPP)

On April 3, 2020, the School received loan proceeds in the amount of \$711,708 under the PPP. The PPP, established as a part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying businesses. The loans and accrued interest may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, certain employee benefits, rent and utilities, and maintains certain payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries. At June 30, 2021, the School has a note payable balance of \$711,708 for the PPP loan. Subsequent to June 30, 2021 the PPP loan was forgiven. See Note 12.

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Capital lease obligations

The School's capital lease obligations for technology equipment at June 30, 2021 and 2020 are as followed:

	2021	2020
Capital lease obligation of \$95,582, due in monthly installments of \$2,950 including interest at 7.4% through May 14, 2021. The lease is secured by the equipment.	\$ -	\$ 31,785
Capital lease obligation of \$29,017, due in monthly installments of \$691 including interest of 6.9% through June 16, 2023. The lease is secured by the equipment.	14,116	22,372
Total	\$ 14,116	\$ 54,157

Future maturities of long-term debt are as follows:

Year ending June 30,	Amount
2022	\$ 7,445
2023	6,671
Total	\$ 14,116

NOTE 6 - NET ASSETS

Net assets without donor restrictions

Net assets without donor restrictions at June 30, 2021 and 2020 were as follows:

	2021	2020
Undesignated	\$ 2,985,411	\$ 2,734,271
Board designated - capital campaign	30,000	30,000
Total	\$ 3,015,411	\$ 2,764,271

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

NOTE 6 - NET ASSETS (CONTINUED)

Net assets with donor restrictions

During 2021 and 2020, changes in donor restricted net assets subject to satisfaction of purpose restrictions were as follows:

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

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Capital Campaign - Renovations	\$ 185,000	\$ 89,415	\$ 185,000	\$ 89,415
Student laptops	-	37,400	-	37,400
Summer Pilot Program	24,033	-	15,744	8,289
STEM	9,493	-	606	8,887
Academic Lab Program	7,482	-	42	7,440
Drama Program	7,018	-	75	6,943
Robotics	1,471	-	1,471	-
Classroom furniture	1,200	-	1,200	-
Total	<u>\$ 235,697</u>	<u>\$ 126,815</u>	<u>\$ 204,138</u>	<u>\$ 158,374</u>

NOTE 7 - CONCENTRATIONS

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

	<u>Revenue</u>	
	<u>2021</u>	<u>2020</u>
State and local grants	84%	86%
Federal grants	11%	8%
Contributions	4%	4%
Other	1%	2%
Total	<u>100%</u>	<u>100%</u>

NOTE 7 - CONCENTRATIONS (CONTINUED)

Accounts receivable is made up of grants receivable and pledges from private foundations and individuals. All grants receivable as of June 30, 2021 and 2020, is made up of receivables from the Louisiana Department of Education. All pledges receivable as of June 30, 2021 and 2020, is derived from one donor.

NOTE 8 - COMMITMENTS

Building Lease

The School has extended its lease agreement in February 2019 for school space. The lease expires in July 2024. Lease payments are based on 41,801 square feet of occupancy of the premises. The annual rental rate is \$4.50 for units No. 1 – 5 (26,809 square feet) and \$7.00 per square foot for units No. 6 – 10 (14,992 square feet). All units have an increase in price per square foot of \$0.50 each August. Additionally, the rental payment each month will include \$4,668 of common area expenses for maintenance, taxes and insurance. Rental expense under the lease for 2021 and 2020 was \$277,440 and \$256,549 annually.

The future operating lease agreement commitments are as follows:

Fiscal Year Ending June 30,	Amount
2022	\$ 279,046
2023	299,950
2024	345,428
2025	29,117
Total	<u>\$ 953,541</u>

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

Suits and Claims

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

NOTE 9 - PENSION PLAN

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$19,500 annually for calendar year 2021. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable.

NOTE 9 - PENSION PLAN (CONTINUED)

The School makes contributions to the Plan for employees with a written employment contract and in the amount stipulated by the contract, which is in accordance with the plan document. Contributions by the School totaled \$108,200 and \$92,649 for 2021 and 2020, respectively.

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

NOTE 10 - FUNDRAISING INCOME AND EXPENSES

The funds raised by the School's gala are included in operations and totaled \$35,217 and \$36,349 for 2021 and 2020, respectfully. The expenses attributable to the annual gala were \$177 and \$11,276 for 2021 and 2020, respectfully.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the School's financial assets as of June 30, 2021 and 2020, excluding amounts not available for general use within one year of the balance sheet date due to contractual or donor-imposed restrictions or internal designations.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end:		
Cash	\$ 1,453,947	\$ 1,599,719
Receivables	162,266	270,289
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor imposed restrictions	<u>(54,507)</u>	<u>(158,374)</u>
Financial assets available for general expenditures within on year	<u>\$ 1,616,213</u>	<u>\$ 1,870,008</u>

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

NOTE 12 - SUBSEQUENT EVENTS

On August 24, 2021, the line of credit with a limit of \$1,000,000 was extended for the period of August 24, 2021 through August 23, 2022. Interest for the unpaid amount remains payable at a monthly rate of 6.00% as stated in the original line of credit agreement. It is collateralized by the accounts held at the financial institution.

NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

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

On January 18, 2022 the Louisiana Board of Elementary and Secondary Education awarded the School to open another Type 2 charter school in St. Tammany Parish. This new charter school will be called Louisiana Key Academy Northshore and will be run by Louisiana Key Academy.

The School has evaluated subsequent events through January 31, 2022, which is the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

For the year ended June 30, 2021

Agency Head: Heather Bourgeois, Principal

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 95,676
Benefits - insurance	6,518
Benefits - retirement	3,125
Bonus	<u>5,000</u>
	<u>\$ 110,319</u>

Report on Internal Control and Compliance

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2021



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA KEY ACADEMY** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations as 2021-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Louisiana Key Academy's Responses to Findings

The School's responses to the finding identified in our audit are described in the accompanying schedule of findings and recommendations. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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.


Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
January 31, 2022

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2021

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) A significant deficiency in internal control was disclosed by the audit of financial statements: **2021-001.**

Material weaknesses: **None.**

- C) Noncompliance that is material to the financial statements: **None.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2021-001.**

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2021

2) Findings – Financial Statements

2021-001 Minimum Foundation Program (MFP) Student Eligibility

Condition: MFP funding amounts received by the School are based on the parishes and school systems in which their student population reside.

Criteria: Student parish and school system should be verified for accuracy during registration and support the parish and school system classification used on the School's MFP funding requisition.

Cause: The School remitted incorrect parish and school system information for 4 out of 28 students tested.

Effect: The School did not receive the proper funding amounts as determined by the MFP.

Recommendation: The School should develop processes and procedures to ensure the documentation in student files properly supports the school system information remitted for MFP funding. This process should include a bi-annual review before data is remitted to the MFP.

Management's response: Management will establish procedures to ensure student residence data is properly supported and accurately reported to the MFP.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2021

2020-001 Lack of Segregation of Duties

This matter is considered resolved.

SCHEDULES REQUIRED BY STATE LAW

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



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

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

Dear Board Members:

We have performed the procedures enumerated below, which were agreed to by the management of **LOUISIANA KEY ACADEMY** (the School), and the Louisiana Legislative Auditor, on the performance and statistical data accompanying the annual financial statements of the School as of June 30, 2021 and to determine whether the specified schedules are free of obvious errors and omissions as required by the Board of Elementary and Secondary Education (BESE) Bulletin. The School's management is responsible for its performance and statistical. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

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

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

Exceptions Noted: For 13 of the 25 transactions sampled, we could not determine if the transactions were classified correctly.

Schedule B-2: Class Size Characteristics

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

Exceptions Noted: None.

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

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

Exceptions Noted: No exceptions noted in individuals' documented education levels. For five individuals, the documented years of experience was greater than the years of experience reported on the PEP data; for five additional individuals, the documented years of experience was less than the years of experience reported in the PEP data.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

Exceptions Noted: There were 24 exceptions noted. The exceptions were due to the School not including extra compensation in the PEP data.

We were engaged by the School perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data.

Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
January 31, 2022

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

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

Schedule B-2 - Class Size Characteristics

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

For the year ended June 30, 2021

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

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 2,395,388	
Other Instructional Staff Activities	275,976	
Instructional Staff Employee Benefits	596,057	
Purchased Professional and Technical Services	49,687	
Instructional Materials and Supplies	97,506	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities		3,414,614
Other Instructional Activities	994,672	994,672
Pupil Support Activities	59,832	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		59,832
Instructional Staff Services	-	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		-
School Administration	1,078,426	
Less: Equipment for School Administration	-	
Net School Administration		1,078,426
Total General Fund Instructional Expenditures		\$ 5,547,544
Total General Fund Equipment Expenditures		\$ -

Certain Local Revenue Sources

Local Taxation Revenue:

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

Local Earnings on Investment in Real Property:

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

State Revenue in Lieu of Taxes:

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

Nonpublic Textbook Revenue

\$ -

Nonpublic Transportation Revenue

\$ -

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Class Size Characteristics

As of October 1, 2020

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	97	34	3	1	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

MANAGEMENT LETTER

June 30, 2021

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

In planning and performing our audit of the financial statements of **LOUISIANA KEY ACADEMY** (the School) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We have also reported on the School's internal control in our report dated January 31, 2022. This letter does not affect our report dated January 31, 2022, on the financial statements of the School.

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
January 31, 2022

OPERATIONAL RECOMMENDATIONS

OR 2021-001 STUDENT FILE DOCUMENTATION

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

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

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

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

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

OR 2021-002 GRANT MONITORING AND COMPLIANCE OVER GRANTS

Observation: During the audit of the financial statements, certain tests were performed over internal controls related to grants. During these tests it was discovered that there are no controls in place to review and approve the application (including the level of effort calculation), or the reimbursement requests before they are submitted to the Louisiana Department of Education. Per the *Uniform Guidance*, controls are required related to the review of grants and required reporting.

Furthermore, it was also discovered that there was no documentation from employees who were working on grant programs noting their acknowledgement of time spent on the grant programs. Per the *Uniform Guidance*, if an employee works in part on a federal program there must be time and effort distribution records that support the portion of time and effort that is dedicated to the grant program.

Lastly, certain tests were performed over the June 30, 2021 grants receivable balance and related revenues. While performing tests, significant audit adjustments were necessary to fairly present grant revenues and related receivables. Additionally, grants receivable and revenues were recorded before reimbursement requests were submitted to the Louisiana Department of Education.

Recommendation: We recommend the School develop processes and procedures to ensure that controls over compliance of grants are documented. Specifically, the processes should contain, at minimum, the following:

- Controls documenting review of the School’s application (including level of effort calculation) of grant awards to the Louisiana Department of Education by someone other than the preparer before submission.
- Controls documenting review of the School’s reimbursement requests before submission to the Louisiana Department of Education.
- Documentation of time spent on grant programs by employee(s) that are signed by the employee and their direct supervisor.
 - This form should include their salary with the percentage of time being allocated to the grant program.

We recommend the School develop processes and procedures to ensure grant revenues and receivables are fairly presented. Specifically, the processes should contain, at minimum, the following:

- Formal review of receipts received subsequent to year-end to ensure that they are recorded in the appropriate period.
- Ensuring that grant receivables and related revenues are not recorded until the reimbursement request is submitted to the Louisiana Department of Education.

Management’s response: Management agrees with the recommendation above. Management will develop processes and procedures to ensure grant reporting and related documentation follows the compliant supplements issued and described by the *Uniform Guidance*.