

Lake Charles Charter Academy
Foundation, Inc.

Combined Financial Statements
For the Year Ended June 30, 2019

Lake Charles Charter Academy Foundation, Inc.

Table of Contents

Independent Auditor's Report	1-2
Financial Statements	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7-14
Supplemental Information	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Schedule of Board of Directors	17
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	18
Internal Controls and Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	21-22
Schedule of Findings and Questioned Costs	23
Schedules Required By State Law (R.S. 24:514 - Performance and Statistical Data)	
Independent Accountant's Report on Applying Agreed-Upon Procedures	24-25
Schedules Required by State Law (R.S. 24:514 - Performance Measurement Data):	26
Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenues Sources	27-28
Schedule 2 - Class Size Characteristics	29

Lake Charles Charter Academy Foundation, Inc.

**Table of Contents
(continued)**

Louisiana Legislative Auditor Statewide Agreed-Upon Procedures

Independent Accountant’s Report on Applying Agreed-Upon Procedures 30-32

Response to Louisiana Legislative Auditor Statewide Agreed-Upon
Procedures Comments 33

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lake Charles Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have audited the accompanying combined financial statements of Lake Charles Charter Academy Foundation, Inc. (the "Foundation"), which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Lake Charles Charter Academy Foundation, Inc as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedule of Board of Directors and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying 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*, is presented for purposes of additional analysis and is also not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

The Performance and Statistical Data on pages 24 through 29 and the Louisiana Legislative Auditor Statewide Agreed-Upon Procedures on pages 30 through 32, are not a required part of the combined financial statements, but are supplementary information required by Louisiana State Law. 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 combined financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Reports on Applying Agreed-Upon Procedures. 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 December 27, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 27, 2019

FINANCIAL STATEMENTS

Lake Charles Charter Academy Foundation, Inc.
Combined Statement of Financial Position
June 30, 2019

Current Assets:

Cash and cash equivalents	\$ 2,694,510
Custodial funds - cash	21,501
Grants receivable	301,879
Other receivables	8,314
Prepaid items	3,384
Investments	500,000
Restricted investments	45,853
	<hr/>
Total current assets	3,575,441

Property and Equipment, less accumulated depreciation of \$ 3,823,508

11,787,698

Other Assets:

Investments	2,000,000
Restricted investments	1,392,389
Due from related party	1,057,925
Deposits	12,387
	<hr/>
Total other assets	4,462,701

Total assets \$ 19,825,840

Current Liabilities:

Accounts payable and accrued expenses	\$ 64,071
Salaries and wages payable	386,735
Accrued interest payable	47,092
Due to management company	406,008
Custodial funds	21,501
Deferred revenues	3,756
Compensated absences	26,166
Current portion of bonds payable	225,000
	<hr/>
Total current liabilities	1,180,329

Noncurrent Liabilities:

Compensated absences	8,722
Bonds payable, net of unamortized discount and bond issuance costs	13,548,385
	<hr/>
Total noncurrent liabilities	13,557,107

Total liabilities 14,737,436

Commitments (Note 12)

-

Net Assets - Without Donor Restrictions

5,088,404

Total liabilities and net assets \$ 19,825,840

The accompanying notes to combined financial statements are an integral part of these statements.

**Lake Charles Charter Academy Foundation, Inc.
 Combined Statement of Activities Without Donor Restrictions
 For the Year Ended June 30, 2019**

Support and Revenues:

Support:	
Contributions	\$ 3,770
Grants:	
Federal	1,386,644
State	85,816
Minimum Foundation Program	<u>11,528,268</u>
Total support	<u>13,004,498</u>
Revenues:	
Student lunches	1,596
Before and aftercare fees	23,080
Other revenue	38,142
Net investment income	<u>29,753</u>
Total revenues	<u>92,571</u>
Total support and revenues	<u>13,097,069</u>

Expenses:

Program services:	
Regular education	7,012,419
Special education	1,628,389
Other education	217,760
Supporting services:	
Management and general	<u>2,536,706</u>
Total expenses	<u>11,395,274</u>
Change in net assets without donor restrictions	1,701,795

Net Assets Without Donor Restrictions, Beginning of Year 3,386,609

Net Assets Without Donor Restrictions, End of Year \$ 5,088,404

The accompanying notes to combined financial statements are an integral part of these statements.

Lake Charles Charter Academy Foundation, Inc.
Combined Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management and General	
Salaries	\$ 3,318,414	\$ 798,869	\$ 189,407	\$ 293,013	\$ 4,599,703
Contracted and vendor services	618,722	284,620	-	841,858	1,745,200
Interest	-	-	-	1,174,052	1,174,052
Benefits	523,706	120,475	6,291	57,948	708,420
Depreciation and amortization	495,868	82,492	-	25,016	603,376
Student services	439,835	73,171	-	-	513,006
Food services	416,425	69,276	4,131	-	489,832
Supplies and material	349,641	58,166	17,931	27,077	452,815
Repairs and maintenance	296,695	49,358	-	14,968	361,021
Utilities	182,844	30,418	-	9,224	222,486
Technology	70,607	11,746	-	18,591	100,944
Insurance	60,940	10,138	-	3,113	74,191
Rent	59,759	9,941	-	3,015	72,715
Office expense	34,556	5,749	-	23,787	64,092
Professional development	47,759	7,945	-	-	55,704
Professional services	17,123	2,796	-	27,524	47,443
Travel	25,760	4,285	-	7,511	37,556
Marketing and recruitment	29,051	4,833	-	1,415	35,299
School board fees	24,714	4,111	-	-	28,825
Other	-	-	-	8,594	8,594
Total expenses	<u>\$ 7,012,419</u>	<u>\$ 1,628,389</u>	<u>\$ 217,760</u>	<u>\$ 2,536,706</u>	<u>\$ 11,395,274</u>

The accompanying notes to combined financial statements are an integral part of these statements.

Lake Charles Charter Academy Foundation, Inc.
Combined Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,701,795
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	584,214
Provision for amortization of bond issuance costs	19,162
Provision for amortization of bond discount	13,475
(Increase) decrease in:	
Grants receivable	(239,718)
Due from management company	69,620
Due from related party	8,298
Other receivables	26,668
Prepaid items	9,051
Deposits	14,630
Increase (decrease) in:	
Accounts payable and accrued expenses	(11,771)
Salaries and wages payable	(42,225)
Due to management company	406,008
Accrued interest payable	(667)
Deferred revenue	3,756
Custodial funds	14,411
Compensated absences	(6,786)
	<u>2,569,921</u>
Net cash provided by operating activities	<u>2,569,921</u>
Cash Flows from Investing Activities:	
Sales of investments	1,396,408
Purchases of investments	(3,928,395)
Payments for purchase of property and equipment	(556,037)
	<u>(3,088,024)</u>
Net cash used in investing activities	<u>(3,088,024)</u>
Cash Flows from Financing Activities:	
Payments on bonds payable	(210,000)
	<u>(210,000)</u>
Net cash used in financing activities	<u>(210,000)</u>
Net decrease in cash and cash equivalents	(728,103)
Cash and Cash Equivalents, Beginning of Year	<u>3,444,114</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,716,011</u>
Cash and cash equivalents	\$ 2,694,510
Custodial funds - cash	<u>21,501</u>
Total cash and cash equivalents	<u>\$ 2,716,011</u>

The accompanying notes to combined financial statements are an integral part of these statements.

Note 1 - Organization and Operations

Organization: Lake Charles Charter Academy Foundation, Inc. (the "Foundation"), a Louisiana not-for-profit corporation, was formed on April 5, 2011 exclusively for educational purposes and is comprised of respected leaders in the Lake Charles community that are committed to providing high quality educational options for the citizens of the Calcasieu Parish. Lake Charles Charter Academy (the "School"), a Department of the Foundation, was established as a charter school in May 2011 for students from kindergarten to eighth grade in the Louisiana Parish of Calcasieu.

Nature of activities: Lake Charles Charter Academy Foundation, Inc. was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2011 to operate a Type 2 public charter school. The current charter is in effect until June 2022. The charter may be renewed at the discretion of BESE.

The Foundation seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulation and BESE policy.

The mission of the Foundation is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential.

The mission of the School is to provide students with the necessary tools and skills needed to develop superior levels of achievement. The School strives for academic, social and physical excellence by providing a quality and challenging curriculum. The School promotes positive moral and social values, fosters an atmosphere of self-discipline in a safe learning environment, and maximizes individual productivity to meet the needs of a changing global society. The School's students will be able to maximize their potential for successfully actualizing their goals with confidence and intrinsic motivation, thereby enabling each student to become a lifelong learner and strong functional contributor to their local community as well as their global community.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Foundation is required to report 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.

Net assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions. The Foundations reports no net assets with donor restrictions as of June 30, 2019.

Basis of accounting: Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenue recognition: Revenues from governmental grants are recognized when allowable expenditures are made by the Foundation. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Minimum Foundation Program (MFP): The School, as a Type 2 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at the School. The amount of funding received is adjusted during the school year based on the October 1st and February 1st student counts and the result of any audits performed.

Cash and cash equivalents: The Foundation considers all highly liquid or short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation routinely maintains cash balances at financial institutions which exceed federally insured amounts. The Foundation has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

Restricted investments: At June 30, 2019, restricted investments include escrow balances restricted for debt service (Notes 4 and 10) and other activities as follows:

Series 2011A & B Debt Service Reserve Fund	\$ 1,392,389
Series 2011 A & B Revenue Fund	<u>45,853</u>
Total restricted investments	<u>\$ 1,438,242</u>

Property and equipment: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements, and other major renewals that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related assets. Other costs incurred for repairs and maintenance are charged to expense as incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings	45 years
Furniture, fixtures and equipment	5 years
Computer equipment and software	3 years
Building improvements	10 years

Prepaid items: Certain payments reflect costs applicable to services for a future accounting period and are recorded as prepaid expenses in the accompanying financial statements.

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Bond issuance costs and provision for amortization: The Foundation incurred certain costs in connection with the issuance of its bonds. These costs have been capitalized for financial reporting purposes and are amortized over the term of the bonds on a straight-line basis. In accordance with the guidance of Financial Accounting Standards Board in its Accounting Standards Update 2015-03, *Interest-Imputation of Interest*, the Organization has presented its bond issuance costs in the statement of financial position as a direct deduction from the bonds payable.

Total provision for amortization was \$ 19,162 for the year ended June 30, 2019.

Deferred revenue: Deferred revenue is recorded in connection with resources that have been received, but not yet earned.

Functional allocation of expenses: The costs of providing the programs and activities of the Foundation have been summarized on a functional basis in the accompanying statement of functional expenses. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Date of management's review: Subsequent events have been evaluated through December 27, 2019, which is the date the financial statements were issued.

Note 3 - Custodial Funds - Cash

As a service to the various school club and parent organizations, the School permits these organizations to deposit their own funds in a separate School checking account. Since these funds do not belong to the School, they are also recorded as a liability in the statement of net position.

Note 4 - Restricted Investments

Previously, the Foundation borrowed funds for construction of facilities for the School (Note 10). The restricted investments of the School are governed by the Bond Indenture and are held by the Trustee. At June 30, 2019, the School has \$ 1,438,242 invested in a money market mutual fund that is stated at amortized cost which approximates fair value.

Generally, *credit risk* is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The exposure to credit risk is limited because the money market mutual fund is rated AAA-mf by Moody's.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The exposure to declines in fair values is limited because the weighted average maturity of the money market mutual fund is twenty days.

Note 5 - Investments

The Foundation has a non-negotiable certificate of deposit for \$ 2,000,000 which earns interest at 2.59% and matures on April 8, 2021. In addition, the Foundation has another non-negotiable certificate of deposit for \$ 500,000 which earns interest at 2.09% and matures on April 9, 2020.

Note 6 - Liquidity and Availability of Financial Assets

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

Financial Assets:	
Cash and cash equivalents	\$ 2,694,510
Grants and other receivables	310,193
Investments	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	
	\$ <u><u>3,504,703</u></u>

Note 7 - Grants Receivable

As of June 30, 2019, grants receivable consisted of amounts due from the following sources:

Receivables	Amount
Title I	\$ 164,395
National School Lunch Program	81,621
IDEA	33,929
Temporary Assistance for Needy Families	16,922
Early Childhood Education	<u>5,012</u>
	\$ <u><u>301,879</u></u>

Note 8 - Due From Related Party

The Foundation and Southwest Louisiana Charter Academy Foundation, Inc. ("SLCAF") are related, as they share common board membership. As of June 30, 2019, the financial statements include an amount due from SLCAF in the amount of \$ 1,057,925.

Note 9 - Property and Equipment

Property and equipment balances and activity for the year ended June 30, 2019, are as follows:

Land	\$ 1,254,128
Construction in progress	4,743
Building	11,361,592
Computer equipment and software	1,624,390
Furniture, fixtures and equipment	841,143
Building improvements	<u>525,210</u>
	15,611,206
Less: accumulated depreciation	<u>(3,823,508)</u>
Property and equipment, net	<u>\$ 11,787,698</u>

Depreciation expense for the year ended June 30, 2019 totaled \$ 584,214.

If certain governmental funding is used to acquire tangible property assets, the BESE has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to BESE.

Note 10 - Bonds Payable

a. Summary of Bonds Payable

Bonds payable at June 30, 2019 is comprised of the following:

\$ 15,175,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2011A; due in semi-annual installments beginning June 2016 through December 2041; interest payable semiannually at rates that range from 7.75% to 8.00%.	\$ 14,505,000
Less unamortized bond discount	(302,078)
Less unamortized bond issuance costs	<u>(429,537)</u>
	<u>\$ 13,773,385</u>

Note 10 - Bonds Payable (continued)

The following is a summary of changes in the bonds payable for the year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Deletions	Amortization	Balance at June 30, 2019	Due Within One Year
Tax-Exempt Educational Facilities Revenue Bonds, Series 2011A	\$ 14,715,000	\$ -	\$ 210,000	\$ -	\$ 14,505,000	\$ 225,000
Discount on Series 2011 Bond	(315,553)	-	-	13,475	(302,078)	-
Bond issuance costs	(448,699)	-	-	19,162	(429,537)	-
	<u>\$ 13,950,748</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 32,637</u>	<u>\$ 13,773,385</u>	<u>\$ 225,000</u>

b. Summary of Significant Bond Terms

\$ 15,175,000 Tax-Exempt Educational Facilities Revenue Bond, Series 2011A - Series 2011A tax-exempt bond is for the purpose of (i) financing the acquisition, construction and equipping of certain charter school facilities, (ii) paying capitalized interest, (iii) funding a reserve fund, and (iv) paying a portion of the costs of issuance of the Series 2011A bond. The bond is payable in semi-annual principal installments beginning June 2016 through December 2041. Interest ranging from 7.75% to 8.00% is payable semiannually on the fifteenth day of June and December.

The bond is subject to mandatory redemption at a redemption price equal to the principal amount plus accrued interest to the redemption date subject to certain events as outlined in the bond indenture. The bond is not subject to a premium at optional redemption after December 15, 2021.

The annual debt service requirement for the Series 2011A Educational Facilities Revenue Bonds not including unamortized discount and bond issuance costs consists of:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 225,000	\$ 1,144,775	\$ 1,369,775
2021	245,000	1,126,950	1,371,950
2022	265,000	1,107,575	1,372,575
2023	285,000	1,086,650	1,371,650
2024	305,000	1,064,175	1,369,175
2025-2029	1,940,000	4,916,518	6,856,518
2030-2034	2,835,000	4,016,888	6,851,888
2035-2039	4,205,000	2,659,200	6,864,200
2040-2042	4,200,000	623,800	4,823,800
	<u>\$ 14,505,000</u>	<u>\$ 17,746,531</u>	<u>\$ 32,251,531</u>

Note 10 - Bonds Payable (continued)

The trust indenture requires reserve funds equal to \$ 1,389,963 for the Series 2011A bonds. As of June 30, 2019, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which is as follows:

<u>Covenant</u>	<u>Requirement</u>	<u>Calculated</u>
Long-term debt service coverage ratio	At least 1.25	2.53

In order to secure the payment in full of the bonds and to secure the performance by the Foundation to all covenants, the Organization grants the Louisiana Public Facilities Authority (the "Authority") a security interest in substantially all their property and equipment. The Foundation also pledges to the Authority a security interest in all revenues, as well as the right, title and interest in the escrow accounts.

Note 11 - Income Taxes

Lake Charles Charter Academy Foundation, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

Note 12 - Commitments

Management agreements: The School has a formal agreement with Charter Schools USA at Lake Charles, LLC ("CSUSA") to manage, staff, and operate the School. The cost reimbursements and management fees (the "fee") range from \$ 1,416,394 for 2020 to \$ 1,741,986 for 2027 if the School obtains a letter grade of "B" or above and at lesser amounts for grades below "B" as defined in the agreement. Total cost reimbursements and management fees amount to \$ 1,563,510 for the year ended June 30, 2019. Extension of the agreement shall correspond to the length of the charter and shall be approved by the Board of Directors.

The School had an amount due to CSUSA for \$ 406,008 at June 30, 2019. This amount is shown on the basic financial statements as an amount due to management company.

Related party: SLCAF entered into a debt agreement with a financial institution for funding to purchase the Lake Charles College Prep ("LCCP") facility. The Foundation and SLCAF acknowledge that the financial institution is relying on the financial strength of both Southwest Louisiana Charter Academy and Lake Charles Charter Academy to provide the support to cover any expected or unexpected losses associated with SLCAF. This is not to say that they guarantee the debt of SLCAF but rather will acknowledge their commitment to cover the shortfalls projected.

Litigation: The School is involved in a lawsuit incidental to its operations, the outcome of which, in the opinion of management and legal counsel, should not have a material adverse effect on the financial position of the School.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 13 - Employee Benefit Plan

During the year ended June 30, 2019, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2019, the School contributed a matching amount of \$ 13,363.

Note 14 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow information:

Cash received during the year for - Interest income	\$ 37,342
Cash paid during the year for - Interest expense	\$ 1,161,244

SUPPLEMENTAL INFORMATION

Lake Charles Charter Academy Foundation, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name:				
U.S. Department of Agriculture - Passed through the Louisiana Department of Agriculture -				
National School Lunch Program	* 10.555	-	\$ 388,706	\$ -
National School Breakfast Program	* 10.553	-	117,853	-
Total U.S. Department of Agriculture and Total Child Nutritional Cluster			<u>506,559</u>	<u>-</u>
U.S. Department of Education - Passed through the Louisiana Department of Education -				
Title I Grants to Local Educational Agencies	84.010	-	537,400	-
Supporting Effective Instruction State Grant	84.367	-	64,025	-
Special Education - Grants to States	84.027	-	176,975	-
Student Support and Academic Enrichment Program	84.424	-	28,487	-
Total U.S. Department of Education			<u>806,887</u>	<u>-</u>
U.S. Department of Health and Human Services Passed through the Louisiana Department of Health and Human Services -				
Temporary Assistance For Needy Families	93.558	-	73,198	-
Total U.S. Department of Health and Human Services			<u>73,198</u>	<u>-</u>
Total expenditures of Federal Awards			<u>\$ 1,386,644</u>	<u>\$ -</u>

See 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 grant activity of the Foundation for the year ending June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

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 the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Foundation did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Contingency

The grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Foundation. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreements and applicable Federal and state and other applicable regulations.

Lake Charles Charter Academy Foundation, Inc.
Schedule of Board of Directors
June 30, 2019

<u>Board Members</u>	<u>Compensation</u>
Judge Ulysses Gene Thibodeaux, President	\$ 0
Mr. Charles Honore, Vice President	\$ 0
Mr. Clyde Mitchell, Secretary and Treasurer	\$ 0
Ms. Phyllis Kittling, Trustee	\$ 0
Dr. Michael Kurth, Trustee	\$ 0
Ms. Nicole Simien, Trustee	\$ 0
Ms. Sylvia Stelly, Trustee	\$ 0
Ms. Rebecca Boniol, Trustee	\$ 0
Mr. Ron Richard, Trustee	\$ 0

**Lake Charles Charter Academy Foundation, Inc.
 Schedule of Compensation, Benefits and Other Payments
 to Agency Head or Chief Executive Officer
 For the Year Ended June 30, 2019**

Agency Head: Judge Ulysses Gene Thibodeaux, President

Purpose	Amount
Salary	\$ 0
Benefits-Insurance	\$ 0
Benefits-Retirement	\$ 0
Car Allowance	\$ 0
Vehicle Provided by Government	\$ 0
Per Diem	\$ 0
Reimbursements	\$ 0
Travel	\$ 0
Registration Fees	\$ 0
Conference Travel	\$ 0
Continuing Professional Education Fees	\$ 0
Housing	\$ 0
Unvouchered Expenses	\$ 0
Special Meals	\$ 0

Note: Agency Head is a voluntary member who receives no compensation for his services to the Lake Charles Charter Academy Foundation, Inc.

INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITOR'S 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 Trustees
Lake Charles Charter Academy Foundation, Inc.
Lake Charles, 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 Lake Charles Charter Academy Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2019, 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 December 27, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 27, 2019

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

To the Board of Trustees
Lake Charles Charter Academy Foundation, Inc.
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Lake Charles Charter Academy Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2019. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 27, 2019

**Lake Charles Charter Academy Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Lake Charles Charter Academy Foundation, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Lake Charles Charter Academy Foundation, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major Federal award programs for Lake Charles Charter Academy Foundation, Inc. expresses an unmodified opinion on the major Federal programs.
6. There are no audit findings relative to the major Federal programs for Lake Charles Charter Academy Foundation, Inc. reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<u>Federal Program</u>	<u>CFDA No.</u>
Department of Agriculture - National School Lunch Program	10.555
National School Breakfast Program	10.553

8. The threshold for distinguishing Types A and B programs was \$ 750,000.
9. Lake Charles Charter Academy Foundation, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

D. Other Issues

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. There were no prior audit findings related to Federal programs.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.

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

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees
Lake Charles Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Lake Charles Charter Academy Foundation, Inc.; the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statement of Lake Charles Charter Academy Foundation, Inc. for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. Management of Lake Charles Charter Academy Foundation, Inc. is responsible for its performance and statistical data. 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:

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

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

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

No exceptions noted.

Education Levels/Experience of Public School Staff (No Schedule)

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

No exceptions noted.

Public School Staff Data: Average Salaries (No Schedule)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing prepared 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).

No exceptions noted.

This agreed-upon procedures engagement was performed 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, 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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Lake Charles Charter Academy Foundation, Inc., 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 27, 2019

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

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

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

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

**Lake Charles Charter Academy Foundation, Inc.
 General Fund Instructional and Support Expenditures
 and Certain Local Revenue Sources
 For the Year Ended June 30, 2019**

Schedule 1

**General Fund Instructional
 and Equipment Expenditures:**

General Fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 2,873,452
Other instructional staff activities	334,506
Instructional staff employee benefits	568,331
Purchased professional and technical services	272,169
Instructional materials and supplies	289,973
Instructional equipment	<u>403,390</u>

Total teacher and student interaction activities \$ 4,741,821

Other instructional activities 147,477

Pupil support activities 295,675

Less: equipment for pupil support activities -

Net pupil support activities 295,675

Instructional staff services 736,662

Less: equipment for instructional staff services -

Net instructional staff services 736,662

School administration 653,828

Less: equipment for school administration -

Net school administration 653,828

Total General Fund instructional expenditures \$ 6,575,463

Total General Fund equipment expenditures \$ 403,390

See independent accountant's report on applying agreed-upon procedures.

**Lake Charles Charter Academy Foundation, Inc.
 General Fund Instructional and Support Expenditures
 And Certain Local Sources
 (continued)
 For the Year Ended June 30, 2019**

Schedule 1 (continued)

Certain Local Revenue Sources:

Local taxation revenue:	
Constitutional ad valorem taxes	\$ -
Renewable ad valorem tax	-
Debt services ad valorem tax	-
Up to 1% of collections by the sheriff on taxes other than school taxes	-
Sales and use taxes	-
	<hr/>
Total local taxation revenue	\$ -
	<hr/> <hr/>
Local earnings on investment in real property:	\$
Earnings from 16th Section property	-
Earnings from other real property	-
	<hr/>
Total local earnings on investment in real property	\$ -
	<hr/> <hr/>
State revenue in lieu of taxes:	
Revenue sharing - constitutional tax	\$ -
Revenue sharing - other taxes	-
Revenue sharing - excess portion	-
Other revenue in lieu of taxes	-
	<hr/>
Total state revenue in lieu of taxes	\$ -
	<hr/> <hr/>
Nonpublic textbook revenue	\$ -
	<hr/>
Nonpublic transportation revenue	\$ -
	<hr/> <hr/>

See independent accountant's report on applying agreed-upon procedures.

Lake Charles Charter Academy Foundation, Inc.
 Class Size Characteristics
 As of October 1, 2018

Schedule 2

	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
School Type:								
Elementary	38%	8	35%	11	35%	7	-	-
Elementary/activity classes	14%	3	35%	11	30%	6	-	-
Middle/Junior High	38%	8	13%	4	20%	4	-	-
Middle/Junior High activity classes	10%	2	17%	5	15%	3	-	-
High	-	-	-	-	-	-	-	-
High activity classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination activity classes	-	-	-	-	-	-	-	-
Total	100%	21	100%	31	100%	20	-	-

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 kindergarten through 3 is 26 students and maximum enrollment in grades 4 through 12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See independent accountant's report on applying agreed-upon procedures.

**LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees
Lake Charles Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by Lake Charles Charter Academy Foundation, Inc. (the "Entity") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **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.

Comment: We noted that the Entity does not have written purchasing policies addressing the following:

- a) controls to ensure compliance with the public bid law
- b) documentation required to be maintained for all bids and price quotes

Collections

- 2. We obtained 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.
- 3. We noted that there is a central person at each deposit site through which collections are deposited. Using the listing provided by management, we obtained and inspected written policies and procedures relating to employee job duties at each deposit site, and observed that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 4. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 5. We randomly selected two deposit dates from the general ledger or other accounting records during the fiscal period for each cash account and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Lake Charles Charter Academy Foundation, Inc.

- c) Traced the deposit slip total to the actual deposit per the bank statement
- d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the deposit was less than \$100).
- e) Traced the actual deposit per the bank statement to the general ledger.

Comment: In testing, we discovered that certain deposit component items had been collected as many as one hundred and fifteen days prior to depositing into the bank account. This pattern for the period between collection and depositing seemed to be unpredictable, and in some instances, was as short as one day.

Ethics

- 6. We randomly selected 5 employees from a listing of employees provided by management and management's representation that the listing is complete and obtained ethics documentation from management, and observed that:
 - a) Observed that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.
 - b) Observed that the documentation demonstrates each employee attested through signature verification that he or she had read the entity's ethics policy during the fiscal period.

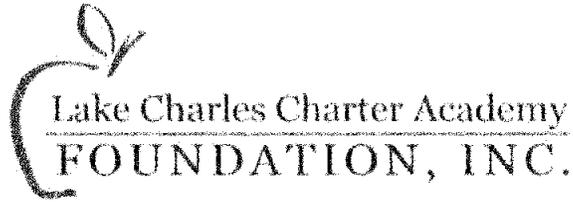
We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is 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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 27, 2019



Response to Exceptions in AUP Results Report

We have done a preliminary review of the recommendations in the AUP results. We are in agreement with the report as provided by Keefe McCullough. Lake Charles Charter Foundation will add policies and procedures and implement changes where necessary to meet the expectations identified in the report.

Signature: *W. W. Bank*

Title: STATE FINANCIAL DIRECTOR