

# Shreveport Charter Schools, Inc.

## FINANCIAL STATEMENTS

June 30, 2019 and 2018



**CRI** CARR  
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**Shreveport Charter Schools, Inc.**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Shreveport Charter Schools, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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 audit 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 auditor considers 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 Shreveport Charter Schools, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Adoption of New Accounting Pronouncement*

As described in Note 1 to the financial statements, Shreveport Charter Schools, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* which requires changes to be made in how net assets are classified based on Donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

**Other Matters***Supplementary Information*

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

The Performance and Statistical Data on pages 22 to 24, are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant’s Report 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 31, 2019, on our consideration of Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Schools, Inc.'s internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 31, 2019

**Shreveport Charter Schools, Inc.**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash	\$ 2,298,948	\$ 462,359
Grants and other receivables	1,129,690	3,010,302
Prepaid expenses and other current assets	10,747	-
Total current assets	<b>3,439,385</b>	<b>3,472,661</b>
Property and equipment		
Furniture, fixtures and equipment	266,158	217,809
Playground equipment	35,591	24,800
Projects	211,867	25,000
Textbooks	208,222	208,222
Kitchen equipment	17,698	17,698
IT equipment	538,062	403,081
Title I equipment	183,963	129,673
Audio equipment	15,721	15,721
Leasehold improvements	4,077	-
Less: accumulated depreciation	(665,099)	(477,299)
Net property and equipment	<b>816,260</b>	<b>564,705</b>
Total assets	<b>\$ 4,255,645</b>	<b>\$ 4,037,366</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 43,341	\$ 320,523
Accrued expenses	163,753	413,596
Accrued payroll and benefits	474,670	370,163
Total current liabilities	<b>681,764</b>	<b>1,104,282</b>
Total liabilities	<b>681,764</b>	<b>1,104,282</b>
Net assets		
Without donor restrictions	3,573,881	2,933,084
With donor restrictions	-	-
Total net assets	<b>3,573,881</b>	<b>2,933,084</b>
Total liabilities and net assets	<b>\$ 4,255,645</b>	<b>\$ 4,037,366</b>

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

**Shreveport Charter Schools, Inc.**  
**Statement of Activities**

<i>For the year ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
State public school funding	\$ 9,597,073	\$ -	\$ 9,597,073
Federal grants	978,811	-	978,811
Federal school lunch program	787,255	-	787,255
Other income	41,701	-	41,701
Interest income	766	-	766
Total support and revenue	11,405,606	-	11,405,606
Expenses			
Program services			
Education Programs	7,775,767	-	7,775,767
Supporting services			
Management and general	2,989,042	-	2,989,042
Total expenses	10,764,809	-	10,764,809
Change in net assets	640,797	-	640,797
Net assets, beginning of year	2,933,084	-	2,933,084
Net assets, end of year	\$ 3,573,881	\$ -	\$ 3,573,881

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

**Shreveport Charter Schools, Inc.**  
**Statement of Activities**

<i>For the year ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
State public school funding	\$ 8,954,713	\$ -	\$ 8,954,713
Federal grants	864,486	-	864,486
Federal school lunch program	688,537	-	688,537
Other income	109,876	-	109,876
Interest income	86	-	86
Total support and revenue	10,617,698	-	10,617,698
Expenses			
Program services			
Education Programs	5,926,467	-	5,926,467
Supporting services			
Management and general	2,649,640	-	2,649,640
Total expenses	8,576,107	-	8,576,107
Change in net assets	2,041,591	-	2,041,591
Net assets, beginning of year	891,493	-	891,493
Net assets, end of year	\$ 2,933,084	\$ -	\$ 2,933,084

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

**Shreveport Charter Schools, Inc.**  
**Statement of Functional Expenses**

*For the Year Ended June 30, 2019*

	Program Services	Supporting Services	
	Education Program	Management and General	Total Expenses
Salaries	\$ 4,311,407	\$ 1,487,847	\$ 5,799,254
Benefits	287,777	221,161	508,938
Payroll taxes	336,222	109,479	445,701
Professional services	136,428	412,190	548,618
Contracted and vendor services	74,156	17,381	91,537
Supplies and materials	315,368	76,039	391,407
Utilities	223,938	-	223,938
Repairs and maintenance	376,757	-	376,757
Insurance	20,681	44,890	65,571
Depreciation	187,800	-	187,800
Administration fees	-	195,241	195,241
Travel	53,375	42,156	95,531
Marketing and recruitment	-	74,070	74,070
Transportation	756,566	-	756,566
Food service	638,068	19,002	657,070
Office expense	19,367	5,724	25,091
Student services	22,734	-	22,734
Athletic activities	14,673	-	14,673
Management fees	-	248,638	248,638
Dues and fees	-	11,587	11,587
Other	450	23,637	24,087
<b>Total Expenses</b>	<b>\$ 7,775,767</b>	<b>\$ 2,989,042</b>	<b>\$ 10,764,809</b>

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

**Shreveport Charter Schools, Inc.**  
**Statement of Functional Expenses**

*For the Year Ended June 30, 2018*

	Program Services	Supporting Services	Total Expenses
	Education Program	Management and General	
Salaries	\$ 3,256,282	\$ 1,233,398	\$ 4,489,680
Benefits	223,502	202,476	425,978
Payroll taxes	246,593	88,164	334,757
Professional services	78,250	363,882	442,132
Contracted and vendor services	68,704	115,453	184,157
Supplies and materials	102,058	61,981	164,039
Utilities	212,350	-	212,350
Repairs and maintenance	196,524	-	196,524
Insurance	34,988	63,391	98,379
Depreciation	130,242	-	130,242
Administration fees	-	184,974	184,974
Travel	36,655	38,871	75,526
Marketing and recruitment	-	4,823	4,823
Transportation	664,946	-	664,946
Food service	581,107	21,148	602,255
Office expense	18,899	4,967	23,866
Student services	21,755	-	21,755
Athletic activities	44,764	-	44,764
Management fees	-	231,586	231,586
Dues and fees	-	1,179	1,179
Other	8,848	33,347	42,195
<b>Total Expenses</b>	<b>\$ 5,926,467</b>	<b>\$ 2,649,640</b>	<b>\$ 8,576,106</b>

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

**Shreveport Charter Schools, Inc.**  
**Statements of Cash Flows**

<i>For the years ended June 30,</i>	<b>2019</b>	<b>2018</b>
Cash flows from operating activities		
Change in net assets	\$ <b>640,797</b>	\$ 2,041,591
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	<b>187,800</b>	130,242
Bad Debts	<b>226</b>	-
(Increase) decrease in		
Grants and other receivables	<b>1,880,386</b>	(2,731,046)
Prepaid expenses and other current assets	<b>(10,747)</b>	12,729
Increase (decrease) in		
Accounts payable	<b>(277,182)</b>	320,523
Accrued expenses	<b>(249,843)</b>	266,943
Accrued payroll and benefits	<b>104,507</b>	23,061
Net cash provided by operating activities	<b>2,275,944</b>	64,043
Cash flows from investing activities		
Purchase of property and equipment	<b>(439,355)</b>	(452,231)
Net cash used in investing activities	<b>(439,355)</b>	(452,231)
Net increase (decrease) in cash	<b>1,836,589</b>	(388,188)
Cash - beginning of year	<b>462,359</b>	850,547
Cash - end of year	<b>\$ 2,298,948</b>	\$ 462,359

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

## Shreveport Charter Schools, Inc. Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shreveport Charter School, Inc., charter holder for Linwood Public Charter School, a nonprofit organization, was incorporated on January 27, 2009. Effective December 22, 2011, Shreveport Charter School, Inc. changed its corporate name to Shreveport Charter Schools, Inc. ("the School"). The School is an educational institution servicing grades Pre-K-4 and 6-8 for residents in Caddo Parish, Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective July 1, 2009, for an initial term of three years. BESE extended the charter for an additional two year period. BESE had the option to terminate or revoke the charter at any time if the School failed to comply with certain terms of the agreement. The charter allowed for a type 5 charter to be operated in the Louisiana Recovery School District, as defined in the LA R.S. 17:3992 and 3998. Effective July 1, 2014, BESE renewed the charter contract for three years through June 30, 2017. The charter was not extended beyond June 30, 2017.

Since the charter contract was not renewed, Shreveport Charter Schools, Inc. alternatively has entered into a management agreements each year with the Louisiana Department of Education through its Recovery School District for the 2017 – 2018 and 2018 – 2019 school years to manage and operate the school. The 2018 – 2019 agreement terminated on June 30, 2019. Another management agreement with the Louisiana Department of Education through its Recovery School District is effective as of July 1, 2019. See Note 8 Subsequent Events.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### ***Financial Statement Presentation***

The School has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for Profit Entities." Under FASB ASC 958, the School is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. During 2019, the School adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the School's liquidity, financial performance, and cash flows. Accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Support restricted by the donor is reported as a transfer from net assets with donor restrictions when the restriction expires or is met in the reporting period. Some net assets without donor restrictions may be designated by the governing board of the School for specific purposes.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

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.

***Basis of Accounting***

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents***

Cash consists of demand deposit balances and represents cash available for general operating purposes. The School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2019 or 2018.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School also had securities pledged on any cash deposits not secured by the FDIC. At June 30, 2018, the School's deposits were fully insured or collateralized. At June 30, 2019, the School's deposits were under collateralized by \$410,450.

***Grants and Other Receivables***

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year.

***Contribution and Revenue Recognition***

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. Recovery School District withholds 2% of the gross funding for the fiscal year.

***Property and Equipment***

All acquisitions of property and equipment and betterments greater than \$3,000 individually or greater than \$5,000 in aggregate that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (three to fifteen years). Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time this agreement is terminated. See Note 4.

***Income Taxes***

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from Louisiana state income taxes.

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the School's income tax returns. Management evaluated the School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance.

***Advertising Costs***

Advertising costs are charged to expense when incurred. Advertising expenses totaled \$68,447 and \$51,051 for the years ended June 30, 2019 and 2018, respectively.

***Compensated Absences***

Salaried non-contracted employees are provided between 10 - 25 days of paid time off annually, and may carry over any unused time off into the next year at the rate of one-half of the employee's annualized accrual rate plus the prior year's rollover balance. Contracted employees who work the academic year schedule which includes time off during the school year and summer to not accrue paid time off.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

***Reclassification***

Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation.

***Functional Expense Allocation***

The majority of expenses reported in the financial statements can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated among program and supporting services benefited. Expenses are allocated based on management's best estimate of time and effort or square footage. There were no such allocated expenses during the year ended June 30, 2019.

***New Accounting Standard***

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities," to address classification of net assets reported on the financial statements and disclosures related to liquidity and availability of resources. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions and net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. These net asset classes are reflected in the Statements of Financial Position and Statements of Activities. ASU 2016-14 requires expenses to be reported by nature in addition to function and include analysis of expenses by both nature and function. Statements of Functional Expenses are included in the financial statements. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. Allocation methods of functional expenses are included in Note 1. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the statement of financial position date. Liquidity and availability of funds is included in Note 6. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method to present operating cash flows. This standard had no impact on cash flows provided by or used in operations.

**Shreveport Charter Schools, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

The School has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2018. A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018, follows:

**As originally stated:**

Unrestricted net assets, beginning of period	\$ 891,493
Temporarily restricted net assets, beginning of period	\$ -
Permanently restricted net assets, beginning of period	\$ -
Unrestricted net assets, end of period	\$ 2,933,084
Temporarily restricted net assets, end of period	\$ -
Permanently restricted net assets, end of period	\$ -

**As restated:**

Net assets without donor restrictions, beginning of period	\$ 891,493
Net assets with donor restrictions, beginning of period	\$ -
Net assets without donor restrictions, end of period	\$ 2,933,084
Net assets with donor restrictions, end of period	\$ -

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU No. 2016-08, which clarifies the implementation guidance on principal versus agent considerations. The School is currently evaluating the effects the standard will have on its financial statements.



**Shreveport Charter Schools, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In November 2019, the FASB issued ASU No. 2019-10, which defers the effective date of ASU No. 2016-02 one year, making it effective for fiscal years beginning after December 15, 2020. The School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

**NOTE 2: CONCENTRATIONS**

The School received 84% of its total revenues from the State of Louisiana, subject to its charter school contract with the state for the years ended June 30, 2019 and 2018.

**NOTE 3: GRANTS AND OTHER RECEIVABLES**

At June 30, 2019 and 2018, grants and other receivables totaled \$1,129,690 and \$3,010,302, respectively, which were primarily for Minimum Foundation Program (MFP) funding and federal and state grants passed through the Louisiana Department of Education. The stated balances are considered fully collectible.

**NOTE 4: USE OF SCHOOL FACILITIES**

Effective July 1, 2009, the School entered into an agreement with the BESE, which allows the School to use the facilities and its contents located at 401 West 70<sup>th</sup> Street, Shreveport, Louisiana 71106. The agreement expired on June 30, 2012, and BESE granted extensions for an additional two years ending June 30, 2014, and for an additional three years ending June 30, 2017. The School entered into a management agreement with the Louisiana Department of Education through its Recovery School District each year for the 2017 - 2018 and 2018 - 2019 school years which allowed for continued use of the school facilities and contents. The 2018 – 2019 agreement terminated on June 30, 2019. A new management agreement with the Louisiana Department of Education through its Recovery School District is effective as of July 1, 2019 and allows the School to continue to operate for the 2019 – 2020 school year and continue to use its current facility. See Note 8 Subsequent Events.

**NOTE 4: USE OF SCHOOL FACILITIES (CONTINUED)**

The School is not required to provide for the type of extensive repair to buildings or facilities that would be considered to be a capital expense. Any physical additions or improvements to the property are required to be provided by the Caddo Parish School Board pursuant to LA R.S. 17:1990. Any assets acquired by the School are the property of the School for the duration of the management agreement. Upon termination of the agreement the School may retain cash on hand and assets necessary to carry out closeout operations for the school. The School shall transfer or dispose of assets and cash on hand attributable to public funding as directed by the Recovery School District. Capital assets acquired by the School with non-public funds will remain the property of the School. The School must maintain records of any cash and assets acquired with private funds that will remain the property of the School.

The School is responsible for all necessary maintenance and repairs to ensure that the facilities comply with all state and local fire, life, and safety codes and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from or related rent expense to Recovery School District. The value of the use of land and the building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in the future years has not been recorded.

Depreciation expense totaled \$187,800 and \$130,242, respectively, for the years ended June 30, 2019 and 2018.

**NOTE 5: RISK MANAGEMENT**

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2019 and 2018.

**NOTE 6: LIQUIDITY OF FINANCIAL ASSETS**

The financial assets available to meet cash needs for general expenditures within one year as of June 30, 2019 are as follows:

Cash	\$ 2,298,948
Grant and other receivables	1,129,690
<hr/>	
Total financial assets available to meet general expenditures within one year	<u>\$ 3,428,638</u>

**NOTE 6: LIQUIDITY OF FINANCIAL ASSETS (CONTINUED)**

Revenue from the Minimum Foundation Program and sources other than federal grants are not restricted for specific purposes and is available for general expenditure. As part of the School's liquidity management, it maintains its funds in cash operating accounts in order to meet the needs of general expenditures, liabilities or other obligations as they come due.

**NOTE 7: LITIGATION**

The School is named as a defendant in a lawsuit. The case was settled after year end. The settlement and any legal fees incurred by the School will be covered by a third party's insurance carrier. As such, no amounts have been accrued in the accompanying financial statements.

The School is also involved in litigation arising in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse affect on the financial position or results of operations. The School does have commercial liability insurance covering such matters.

**NOTE 8: SUBSEQUENT EVENTS**

Effective as of July 1, 2019, Shreveport Charter Schools, Inc. entered into a Management Agreement with the Louisiana Department of Education through its Recovery School District to manage and operate the school under the oversight of the Recovery School District for the 2019 – 2020 school year. The agreement will terminate on June 30, 2020. At that time a new management agreement will be executed with Shreveport Charter Schools, Inc. or a new charter operator will be identified and take over management and operations of the School.

Management has evaluated all subsequent events through December 31, 2019, the date which the financial statements were available to be issued.

**Supplementary Information**

**Shreveport Charter Schools, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>United States Department of Education</u>				
Passed through Louisiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	S010A180018	\$ -	\$ 656,754
Supporting Effective Instruction State Grants	84.367	S367A170017	-	57,454
Student Support and Academic Enrichment Program	84.424	S424A180019	-	23,486
Special Education Cluster				
Special Education - Grants to States	84.027	H027A180033	-	188,126
Special Education - Preschool Grants	84.173	H173A180082	-	3,068
Total Special Education Cluster			-	191,194
Total United States Department of Education			-	928,888
<u>United States Department of Health and Human Services</u>				
Passed through Louisiana Department of Education				
TANF Cluster				
Temporary Assistance for Needy Families	93.558	LA 4	-	49,923
Total TANF Cluster			-	49,923
Total United States Department of Health and Human Services			-	49,923
<u>United States Department of Agriculture</u>				
Passed through Louisiana Department of Education				
Child and Adult Care Food Program	10.558	N/A	-	11,986
Fresh Fruit and Vegetable Program	10.582	N/A	-	10,352
Child Nutrition Cluster				
National School Lunch Program	10.555	N/A	-	488,474
School Breakfast Program	10.553	N/A	-	272,591
Summer Food Service Program for Children	10.559	N/A	-	3,852
Total Child Nutrition Cluster			-	764,917
Total United States Department of Agriculture			-	787,255
Total expenditures of federal awards			\$ -	\$ 1,766,066

*See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.*



**Shreveport Charter Schools, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2019**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shreveport Charter Schools, Inc. and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures are recognized following the cost principles contained in the Uniform Guidance. The School has not elected to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**NOTE 4: SUBRECIPIENTS**

During the year ended June 30, 2019, Shreveport Charter Schools, Inc. had no subrecipients.

**NOTE 5: LOANS**

During the year ended June 30, 2019, Shreveport Charter Schools, Inc. did not expend federal awards related to loans or loan guarantees.

**NOTE 6: NON-CASH AWARDS**

During the year ended June 30, 2019, Shreveport Charter Schools, Inc. did not receive any non-cash assistance.



**Shreveport Charter Schools, Inc.  
Schedule of Compensation Paid to the Board of Trustees  
For the year ended June 30, 2019**

There was no compensation paid to the Board of Trustees for the year ended June 30, 2019.

*See Independent Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Schedule of Compensation, Benefits and Other Payments to Agency Head**  
**For the year ended June 30, 2019**

**Agency Head Name: Dr. Staughton Jennings, Executive Director**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 131,835
State Stipend	4,000
Other Stipend	300
Bonus	16,273
Benefits-insurance	11,419
Reimbursements	5,964
Travel	2,517
Registration fees	1,420

*See Independent Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Schedules Required by Louisiana State Law (R.S. 24:514)**  
**Performance and Statistical Data**  
**As of and for the year ended June 30, 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 – 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.

Shreveport Charter Schools, 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	\$ 2,683,575	
Other Instructional Staff Activities	359,241	
Instructional Staff Employee Benefits	449,344	
Purchased Professional and Technical Services	35,454	
Instructional Materials and Supplies	305,296	
Instructional Equipment	98,419	
Total Teacher and Student Interaction Activities		\$ 3,931,329
Other Instructional Activities		-
Pupil Support Activities	305,175	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		305,175
Instructional Staff Services	1,138,868	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		1,138,868
School Administration	1,339,957	
Less: Equipment for School Administration	4,319	
Net School Administration		1,335,638
Total General Fund Instructional Expenditures		\$ 6,711,010
Total General Fund Equipment Expenditures		\$ 102,738

**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 the 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 Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Class Size Characteristics**  
**As of October 1, 2018**  
**Schedule 2**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	16%	46	66%	188	18%	51	0%	-
Elementary Activity Classes	6%	2	75%	27	19%	7	0%	-

**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.



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**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 Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, 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 Shreveport Charter Schools, Inc. (a nonprofit organization), 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 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shreveport Charter Schools, Inc.'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*.

We noted certain other matters that we reported to management of Shreveport Charter Schools, Inc. in a separate letter dated December 31, 2019.

### **Shreveport Charter Schools Inc.'s Responses to Findings**

Shreveport Charter Schools Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Shreveport Charter Schools Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Schools Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 31, 2019



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

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Shreveport Charter Schools, Inc. 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 Shreveport Charter Schools, Inc. 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 Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'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.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 31, 2019

**Shreveport Charter Schools, Inc.**  
**Schedule of Findings and Questioned Costs**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Compliance and internal control over financial reporting:

Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:

Significant deficiency(ies) identified?	None noted
Material weakness(es) identified?	No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

CFDA Number	Name of Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

**Current Year Findings and Responses**

**2019-001 Accrued Liabilities**

Criteria: Controls should be in place to ensure all expenditures are recorded in the appropriate period in which the expenditure was incurred. A liability should be recorded for expenditures incurred but not paid prior to year-end.

Condition: The School did not identify and properly accrue as liabilities one invoice for services and payroll taxes and there was an under accrual of vacation pay; all which cause misstatements in the account balances at year end.



**Shreveport Charter Schools, Inc.**  
**Schedule of Findings and Questioned Costs**

Cause: Cutoff procedures were not properly performed to identify all invoices and related payables or liabilities to be recorded in the proper period.

Effect or Possible Effect: Accounts payable or other liabilities and expenditures are understated and the purchase population is not complete.

Recommendation: We recommend that the School implement policies and procedures to identify and review invoices to ensure that expenditures and any related accruals are recorded in the proper period and liabilities are properly stated.

**Section III – Federal Award Findings and Questioned Costs**

**Current Year Findings and Responses**

None

**Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

**2019-001 Accrued Liabilities**

Condition: The School did not identify and properly accrue as liabilities one invoice for services and payroll taxes and there was an under accrual of vacation pay; all which cause misstatements in the account balances at year end.

Corrective Action Planned: Linwood Public Charter School will review and revise cutoff procedures to help better identify invoices and expenses that would require an accrual entry to be recorded in the proper period.

Persons Responsible for Corrective Action: Wanda Austin-Lewis, Director of Finance for Linwood Public Charter School and Kevin Cox, Director of Finance for 4<sup>th</sup> Sector Solutions, Inc.

Anticipated Completion Date: January 31, 2020

**Federal Award Findings and Questioned Costs**

None



**Shreveport Charter Schools, Inc.**  
**Summary Schedule of Prior Audit Findings**

**Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

**2018-001 State Compliance**

Fiscal Year in Which the Finding Initially Occurred: 2017

Condition: One Board Member did not complete and submit to the Louisiana Board of Ethics, a Tier 3 Personal Financial Disclosure Statement for 2017.

Status: Resolved.

**2018-002 Late Submission of Audit Report to the Legislative Auditor**

Fiscal Year in Which the Finding Initially Occurred: 2018

Condition: The School's audit report for the fiscal year ending June 30, 2018 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Status: Resolved.

**Federal Award Findings and Questioned Costs**

None



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## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana,  
the Louisiana Department of Education,  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Shreveport Charter Schools, Inc.; the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of Shreveport Charter Schools, 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 Shreveport Charter Schools, 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.

The procedures and associated findings are as follows:

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

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

Results: No exceptions were noted.

### Class Size Characteristics (Schedule 2)

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

Results: No exceptions were noted.

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

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

Results: No exceptions noted.

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

4. We obtained June 30<sup>th</sup> 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).

Results: Six exceptions were noted in which the individual's salary per the personnel file was not properly included on the listing prepared by management.

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.

This report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Shreveport Charter Schools, 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 Legislative Auditor as a public document.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 31, 2019



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## **Management Letter**

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana

We have audited the financial statements of Shreveport Charter Schools, Inc. as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated December 31, 2019. 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 and the provisions of the Uniform Guidance.

As a part of our examination, we have issued our report on the financial statements, dated December 31, 2019, and our report on internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards and on compliance for each major program and internal control over compliance required by the Uniform Guidance dated December 31, 2019.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls:

### **MLC 2019-001 Unsecured Deposit**

Year of Origination – June 30, 2019

*Observation:* Deposits exceeding federally insured limits should be fully secured. The School's total deposit balance held at one financial institution exceeded the total federally insured limits and secured balance, causing the entity to have exposure totaling \$410,450 as of June 30, 2019. Deposits were not reviewed to identify amounts in excess of federally insured limits and ensure deposits are fully secured. Deposits were not fully secured. The School is exposed to risk of loss up to \$410,450.

*Recommendations:* We recommend that the School review deposit balances and secured balances monthly to ensure all deposits are appropriately secured.

*Views of responsible officials and corrective actions:* The financial institution was contacted and plans have been made to ensure that deposits are fully secured.

### **MLC 2019-002 Accounts Receivable**

Year of Origination – June 30, 2019

*Observation:* Receivables should be established and revenue recognized after grant reimbursement request have been submitted. The School did not record a \$3,852 receivable or the corresponding revenue for June 2019 for the Summer Food Service Program for Children grant in the proper period. Policies and procedures are not in place to ensure grant proceeds and related receivables are recorded in the proper period. Revenue for the current year is understated while revenue for the subsequent year is overstated.

*Recommendations:* We recommend that a receivable be established when the grant reimbursement request is submitted. This will ensure revenue is recorded in the proper period and matching receivables are properly recorded for accounting purposes.

*Views of responsible officials and corrective actions:* This is the first year these revenues were to be included on the Schedule of Expenditures of Federal Awards. Going forward, the School will comply.

### **MLC 2019-003 Fixed Assets**

Year of Origination – June 30, 2019

*Observation:* Controls should be in place to ensure all fixed asset purchases are capitalized in accordance with the Company's fixed asset policy and captured in the correct reporting period. Accurate and proper documentation should be available to support balances being audited. A significant fixed asset purchase during the year totaling \$32,243 was not properly capitalized and included in the fixed assets schedule. A purchase of laptops totaling \$8,334 which should have been capitalized was expensed. The School does not have adequate controls in place and operating effectively to ensure all fixed asset purchases which should be capitalized are captured, reviewed, approved, and reported accurately. The fixed asset reports and amounts reported in the financial statements were misstated due to several significant purchases not being reflected.

*Recommendations:* We recommend the School ensure that all individuals responsible for identifying and recording fixed assets are adequately trained and that proper procedures are followed to ensure that all fixed assets are properly identified and recorded in the system. We recommend that the School ensure the fixed assets records are updated timely throughout the year. We also recommend that there be an adequate and timely review of the fixed assets reports performed by Director of Finance. We recommend that the School implement policies and procedures to ensure timely review of expense accounts to identify any items that should be capitalized which may have been recorded to expense accounts in error.

*Views of responsible officials and corrective actions:* Proper action will be taken to prevent recurrence. Fixed asset records will be reviewed throughout the fiscal year to ensure that items that should be capitalized are properly recorded.

We recommend management address the foregoing issue as an improvement to operations and the administration of public programs. We are available to further explain the suggestion or help implement the recommendation.

This report is intended solely for the information and use of the Board of Trustees of Shreveport Charter Schools, Inc., management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 31, 2019

**Shreveport Charter Schools, Inc.  
Shreveport, Louisiana**

**STATEWIDE AGREED-UPON PROCEDURES REPORT**

**For the fiscal period July 1, 2018 through June 30, 2019**



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

To the Board of Trustees of Shreveport Charter Schools, Inc.  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees of Shreveport Charter Schools, Inc. ("the School") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 3 (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The School'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 results are as follows:

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

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.  
**Results:** No exceptions were identified as a result of applying the procedure.
  - 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.  
**Results:** The written policies and procedures do not address how vendors are added to the vendor list. No other exceptions were identified as a result of applying the procedure.
  - c) **Disbursements**, including processing, reviewing, and approving.  
**Results:** The written policies and procedures do not address processing disbursements. No other exceptions were identified as a result of applying the procedure.
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue.  
**Results:** No exceptions were identified as a result of applying the procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
**Results:** No exceptions were identified as a result of applying the procedure.
- 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.  
**Results:** No exceptions were identified as a result of applying the procedure.
- g) **Credit Cards**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.  
**Results:** No exceptions were identified as a result of applying the procedure.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.  
**Results:** No exceptions were identified as a result of applying the procedure.
- 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 annually attest through signature verification that they have read the entity's ethics policy.  
**Results:** No exceptions were identified as a result of applying the procedure.
- 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.  
**Results:** The School does not have written policies and procedures for disaster recovery or business continuity.

### **Board of Trustees**

- 2. Obtained and inspected the board minutes for the fiscal period, as well as the board's bylaws in effect during the fiscal period, and:
  - a) Observed that the board met with a quorum at least monthly, or on a frequency in accordance with the board's bylaws.  
**Results:** The board did not meet one month during the fiscal period. A quorum was not present for one meeting during the fiscal period. No other exceptions were identified as a result of applying the procedure.
  - b) Observed that the minutes referenced or included financial activity relating to public funds.  
**Results:** No exceptions were identified as a result of applying the procedure.

### **Bank Reconciliations**

- 3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and all additional accounts. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:
  - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (initialed and dated);

**Results:** Four bank reconciliations were not prepared within two months of the closing statement date. No other exceptions were identified as a result of applying the procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (initialed and dated);

**Results:** No exceptions were identified as a result of applying the procedure.

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

**Results:** No exceptions were identified as a result of applying the procedure.

### ***Collections (excluding EFTs)***

- 4. Obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Selected all deposit sites.

**Results:** No exceptions were identified as a result of applying the procedure.

- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site. Obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, 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.

**Results:** No exceptions were identified as a result of applying the procedure.

- 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 to the deposit.

**Results:** No exceptions were identified as a result of applying the procedure.

- 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.

**Results:** No exceptions were identified as a result of applying the procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source are not responsible for collecting cash, unless another employee verified the reconciliation.

**Results:** No exceptions were identified as a result of applying the procedure.

- 6. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**Results:** No exceptions were identified as a result of applying the procedure.

- 7. Determined which of the bank accounts selected for procedure #3 under "Bank Reconciliations" above have cash deposits. Randomly selected two deposit dates for each of the bank accounts identified (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). Obtained supporting documentation for each of the deposits and:

- a) Observed that receipts are sequentially pre-numbered.  
**Results:** Receipts were not issued for any of the items selected.
- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.  
**Results:** One deposit did not have supporting documentation. No other exceptions were identified as a result of applying the procedure.
- c) Traced the deposit slip total to the actual deposit per the bank statement.  
**Results:** One deposit did not have supporting documentation. No other exceptions were identified as a result of applying the procedure.
- d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).  
**Results:** One deposit did not have supporting documentation. No other exceptions were identified as a result of applying the procedure.
- e) Traced the actual deposit per the bank statement to the general ledger.  
**Results:** No exceptions were identified as a result of applying the procedure.

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

- 8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected all locations.  
**Results:** No exceptions were identified as a result of applying the procedure.
- 9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the entity has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.  
**Results:** No exceptions were identified as a result of applying the procedure.
  - b) At least two employees are involved in processing and approving payments to vendors.  
**Results:** No exceptions were identified as a result of applying the procedure.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.  
**Results:** No exceptions were identified as a result of applying the procedure.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.  
**Results:** No exceptions were identified as result of applying the procedures.

10. For each location selected under #8 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:

a) Observed that the disbursement matched the related original invoice/billing statement.

**Results:** No exceptions were identified as a result of applying the procedure.

b) Observed that the disbursement documentation included evidence of segregation of duties observed under #9, as applicable.

**Results:** No exceptions were identified as a result of applying the procedure.

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

11. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.

**Results:** No exceptions were identified as a result of applying the procedure.

12. Using the listing prepared by management, selected all cards that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly selected one monthly bank statement), obtained supporting documentation, and:

a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit card purchases) was reviewed and approved, in writing, by someone other than the authorized card holder.

**Results:** No exceptions were identified as a result of applying the procedure.

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

**Results:** Two credit card statements included interest charges. One credit card statement included late fees.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected ten transactions (or all transactions if less than ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Results:** Two transactions lacked written documentation for business or public purpose. No other exceptions were identified as a result of applying the procedure.

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

14. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. Randomly selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Results:** No exceptions were identified as a result of applying the procedure.

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

**Results:** One reimbursement was not supported by original itemized receipts. No other exceptions were identified as a result of applying the procedure.

- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

**Results:** No exceptions were identified as a result of applying the procedure.

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

**Results:** No exceptions were identified as a result of applying the procedure.

#### **Other**

15. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

**Results:** Management represented that there had been no misappropriations of public funds or assets during the fiscal period.

16. Observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** The notice required by R.S. 24:523.1 concerning the misappropriation, fraud, waste, or abuse of public funds was not posted on the entity's website. No other exceptions were identified as a result of applying the procedure.

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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS, & INGRAM, LLC  
Shreveport, Louisiana  
December 31, 2019



## LINWOOD PUBLIC CHARTER SCHOOL

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December 31, 2019

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### **Re: Management Response to Agreed-Upon Procedures**

The Shreveport Charter Schools, Inc. Management Team has reviewed the Independent Accountant's Report on Applying Agreed-Upon Procedures. The Management Team is in agreement with the report as provided by Carr, Riggs & Ingram, LLC. In addition, Shreveport Charter Schools, Inc. has implemented changes or additional to policies or procedures where necessary to meet the expectations identified in the report.

Respectfully submitted,

Wanda Austin-Lewis  
Director of Finance  
Shreveport Charter Schools, Inc.