

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2019 and 2018

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

TABLE OF CONTENTS

June 30, 2019 and 2018

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Statements of Financial Position	A	3
Statements of Activities	B	4
Statements of Cash Flows	C	5
Statements of Functional Expenses	D	6
Notes to Financial Statements	E	8
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Compensation, Benefits and Other Payments to Agency Head	1	18
REPORT ON INTERNAL CONTROL AND COMPLIANCE		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		19
Schedule of Findings and Recommendations		21
Summary of Findings and Recommendations		22
Summary of Prior Year Findings and Recommendations		24

(continued)

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

	<u>Schedule</u>	<u>Page</u>
Independent Accountants' Report on Applying Agreed-upon Procedures		25
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	B-1	28
Class Size Characteristics	B-2	29



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a non-profit organization) (the School) which comprise the statements of financial position as of June 30, 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LOUISIANA KEY ACADEMY** as of June 30, 2019 and 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 13 to the financial statements, the School has adopted Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

The Performance and Statistical Data, included on pages 28 and 29, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). We have applied limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon-Procedures. 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 23, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2019

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

(See Independent Auditors' Report)

ASSETS

	2019	(Restated) 2018
CURRENT ASSETS		
Cash	\$ 935,873	\$ 594,422
Receivables:		
Grants	46,884	22,403
Current portion of unconditional promises to give	125,000	75,147
Prepaid and other	9,289	12,427
Total current assets	1,117,046	704,399
UNCONDITIONAL PROMISES TO GIVE	100,000	25,000
PROPERTY, net	2,367,860	2,260,657
Total assets	<u>\$ 3,584,906</u>	<u>\$ 2,990,056</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 60,174	\$ 102,902
Contract payable	7,718	-
Lines of credit	903,696	902,219
Capital lease obligations, current portion	31,803	-
Total current liabilities	1,003,391	1,005,121
CAPITAL LEASE OBLIGATIONS, less current portion	33,838	-
Total liabilities	1,037,229	1,005,121
NET ASSETS		
Without donor restrictions	2,311,980	1,809,054
With donor restrictions	235,697	175,881
Total net assets	<u>2,547,677</u>	<u>1,984,935</u>
Total liabilities and net assets	<u>\$ 3,584,906</u>	<u>\$ 2,990,056</u>

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

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

(See Independent Auditors' Report)

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND SUPPORT						
Grants:						
State MFP grant	\$ 4,290,997	\$ -	\$ 4,290,997	\$ 4,153,514	\$ -	\$ 4,153,514
Federal grants	275,071	-	275,071	261,277	-	261,277
Other state and local grants	221,135	-	221,135	205,976	-	205,976
Contributions and events	159,714	338,201	497,915	51,719	96,237	147,956
Beforecare and aftercare	62,060	-	62,060	21,259	-	21,259
Food and other	62,425	-	62,425	39,357	-	39,357
Total revenues and support	5,071,402	338,201	5,409,603	4,733,102	96,237	4,829,339
NET ASSETS RELEASED FROM RESTRICTIONS:						
Satisfaction of purpose restrictions	278,385	(278,385)	-	212,856	(212,856)	-
Total revenues, support, and net assets released from restrictions	5,349,787	59,816	5,409,603	4,945,958	(116,619)	4,829,339
EXPENSES						
Instructional	3,175,322	-	3,175,322	2,989,887	-	2,989,887
Operations and maintenance	658,296	-	658,296	678,761	-	678,761
Food services	191,154	-	191,154	184,680	-	184,680
Fundraising	8,644	-	8,644	38,856	-	38,856
General and administrative	849,157	-	849,157	786,184	-	786,184
Total expenses	4,882,573	-	4,882,573	4,678,368	-	4,678,368
Change in net assets, before nonoperating income	467,214	59,816	527,030	267,590	(116,619)	150,971
NONOPERATING INCOME (See Note 1)	35,712	-	35,712	-	-	-
Change in net assets	502,926	59,816	562,742	267,590	(116,619)	150,971
NET ASSETS						
Beginning of year, restated	1,809,054	175,881	1,984,935	1,541,464	292,500	1,833,964
End of year	\$ 2,311,980	\$ 235,697	\$ 2,547,677	\$ 1,809,054	\$ 175,881	\$ 1,984,935

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

(See Independent Auditors' Report)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 562,742	\$ 150,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	217,574	198,459
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(149,334)	172,452
Decrease in prepaid and other	3,138	32,158
(Decrease) increase in accounts payable and accrued expenses	<u>(35,010)</u>	<u>19,552</u>
Net cash provided by operating activities	<u>599,110</u>	<u>573,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on construction in progress	<u>(229,195)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	221,477	-
Repayments of lines of credit	(220,000)	(320,303)
Payments on capital lease	<u>(29,941)</u>	<u>-</u>
Net cash used by financing activities	<u>(28,464)</u>	<u>(320,303)</u>
Net increase in cash	341,451	253,289
CASH		
Beginning of year	<u>594,422</u>	<u>341,133</u>
End of year	<u>\$ 935,873</u>	<u>\$ 594,422</u>
Supplemental disclosure of noncash investing and financing activities:		
Assets acquired through capital lease obligation	<u>\$ 95,582</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 49,056</u>	<u>\$ 48,738</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	Program					Total
	Instructional	Operations and Maintenance	Food Services	Fundraising	General and Administrative	
Salaries and wages	\$ 2,312,533	\$ -	\$ -	\$ -	\$ 397,110	\$ 2,709,643
Payroll taxes	170,505	-	-	-	30,104	200,609
Retirement contributions	69,246	-	-	-	17,375	86,621
Insurance	370,248	-	-	-	106,523	476,771
Depreciation	-	217,574	-	-	-	217,574
Professional services	35,605	6,137	-	1,740	158,794	202,276
Food and beverage	-	-	191,154	4,604	-	195,758
Rent	-	193,297	-	-	-	193,297
Materials and supplies	125,090	16,609	-	2,157	25,251	169,107
Repairs and maintenance	-	121,520	-	-	-	121,520
Utilities	-	49,604	-	-	21,891	71,495
Technology	-	53,555	-	-	6,628	60,183
Nurse and psychologist	49,860	-	-	-	-	49,860
Interest	-	-	-	-	46,897	46,897
Professional development	30,175	-	-	-	-	30,175
Advertising	-	-	-	143	28,016	28,159
Dues and subscriptions	-	-	-	-	4,300	4,300
LDOF administrative fees	3,481	-	-	-	-	3,481
Other	8,579	-	-	-	6,268	14,847
Total expenses	<u>\$ 3,175,322</u>	<u>\$ 658,296</u>	<u>\$ 191,154</u>	<u>\$ 8,644</u>	<u>\$ 849,157</u>	<u>\$ 4,882,573</u>

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

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	Program				General and Administrative	Total
	Instructional	Operations and Maintenance	Food Services	Fundraising		
Salaries and wages	\$ 2,170,819	\$ -	\$ -	-	\$ 332,145	\$ 2,502,964
Payroll taxes	159,099	-	-	-	23,577	182,676
Retirement contributions	44,330	-	-	-	21,623	65,953
Insurance	331,793	-	-	-	120,660	452,453
Materials and supplies	166,270	21,092	-	-	42,547	229,909
Depreciation	-	198,459	-	-	-	198,459
Food and beverage	-	-	184,680	1,820	-	186,500
Professional services	12,170	2,669	-	-	161,535	176,374
Rent	-	169,433	-	14,756	-	184,189
Repairs and maintenance	-	143,679	-	-	-	143,679
Technology	-	91,540	-	-	5,355	96,895
Utilities	-	51,889	-	-	17,086	68,975
Interest	-	-	-	-	48,455	48,455
Professional development	48,585	-	-	-	-	48,585
Nurse and psychologist	43,799	-	-	-	-	43,799
Advertising	-	-	-	22,280	3,103	25,383
LDOE administrative fees	3,727	-	-	-	-	3,727
Dues and subscriptions	-	-	-	-	1,015	1,015
Other	9,295	-	-	-	9,083	18,378
Total expenses	<u>\$ 2,989,887</u>	<u>\$ 678,761</u>	<u>\$ 184,680</u>	<u>\$ 38,856</u>	<u>\$ 786,184</u>	<u>\$ 4,678,368</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Louisiana Key Academy (the School) was incorporated on June 18, 2012, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the Louisiana Department of Education as a Type 2 charter school with a contract term from July 1, 2014 through June 30, 2018, and may be extended for a maximum term of ten years, contingent upon the results of the School's operations and compliance with regulatory and contractual requirements after the completion of the fourth year of operation. The contract was renewed for three years on July 1, 2018 and expires on June 30, 2021. The School is a public, tuition free, primary charter school for dyslexic students in first through sixth grade and increased to the seventh grade for the 2018-2019 school year.

Financial statement presentation

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncement

During the year ended June 30, 2019, the School adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 *Not For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU No. 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Additionally, the School is now required to present the Statements of Functional Expenses as a part of its basic financial statements, which has been included as Exhibit D, and to present information regard the School's liquidity (See Note 12).

Estimates

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

Revenue recognition, contributions and contributions receivable

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the East Baton Rouge Parish School Board. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal funds are received through the Louisiana Department of Education.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value financial instruments

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

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in a local bank that may, at times, exceed FDIC insured limits of \$250,000. Management believes the risk to be minimal.

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. The School had no receivables outstanding for longer than 90 days as of June 30, 2019 and 2018, respectively. Unconditional promises to give are recorded at present value.

Property

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

Personal time off

During 2019, the School amended its personal time off (PTO) policy to only allow administrative employees and program coordinators the privilege of carrying forward PTO and receiving payout upon separation from the School. The School's policy states that full-time regular, salaried employees with at least one month of service are awarded the benefit of PTO. Administrative employees and program coordinators may carry forward PTO from year to year, although no more than 15 days of accrued PTO will be considered for payout in the event of an employee separation from the School. PTO is awarded as follows:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Personal time off (continued)

A PTO liability of \$22,112 and \$57,824 has been recorded at June 30, 2019 and 2018, respectively, and recorded as accrued expenses. Additionally, the School recognized a nonoperating of \$35,712 recorded as other income for the year ending June 30, 2019, as a result of the change in the PTO policy.

Functional expenses

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

Tax-exempt status

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

The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The School's open audit periods are 2015 through 2019.

Reclassifications

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

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give are recorded at present value. At June 30, 2019 and 2018, the value of promises to give are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 125,000	\$ 75,000
Receivable in one to five years	<u>100,000</u>	<u>25,000</u>
Total	<u>\$ 225,000</u>	<u>\$ 100,000</u>

NOTE 3 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2019 and 2018 were as follows:

	Estimated Service Lives	2019	2018
Leasehold improvements	15	\$ 2,778,972	\$ 2,778,972
Playground equipment	10	83,278	83,278
Equipment	5 - 7 years	124,039	28,457
Construction in progress	-	229,195	-
		3,215,484	2,890,707
Less accumulated depreciation		(847,624)	(630,050)
Property and equipment, net		\$ 2,367,860	\$ 2,260,657

Depreciation expense was \$217,574 and \$198,459 for the years ended June 30, 2019 and 2018, respectively.

Capital lease obligations

As of June 30, 2019, the School has capitalized equipment acquired through capital leases with a cost of \$95,582 and has a corresponding accumulated depreciation of \$19,116. Depreciation for these assets of \$19,116 was recognized in 2019. The School had no capital lease obligations as of June 30, 2018.

NOTE 4 - LINES OF CREDIT

The School has a revolving line of credit with a borrowing limit of \$650,000 as of June 30, 2019. Interest is payable monthly at a rate of LIBOR plus 2.25%, which was 4.648% and 4.34% at June 30, 2019 and 2018, respectively. The outstanding balance on the line of credit was \$582,219 and \$682,219 at June 30, 2019 and 2018, respectively. This debt is secured by the marketable securities of the School.

The School has an additional revolving line of credit with a borrowing limit of \$100,823. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 5.50% and 5.00%, plus 1.00%, which was 6.50% and 6.00% at June 30, 2019 and 2018, respectively. The outstanding balance on the line of credit was \$100,000 and \$220,000 as of June 30, 2019 and 2018, respectively. This line of credit expired October 2018 and was renewed with a maturity date of November 2020. This debt is secured by a certificate of deposit held in the name of a local supporter at the financial institution.

NOTE 4 - LINES OF CREDIT (CONTINUED)

The School has a third revolving line of credit with a borrowing limit of \$500,000 as of June 30, 2019. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 5.50%, and 4.50% plus 2.00%, which was 5.50% and 6.50% at June 30, 2019 and 2018, respectively. The School does not have an outstanding balance on this line of credit as of June 30, 2019 or 2018. This line of credit expired February 2019 and was renewed with a maturity date of May 2020. This debt is unsecured.

During 2019, the School entered into a fourth revolving line of credit with a borrowing limit of \$1,000,000 with a maturity date of April 2021. Interest is payable monthly at a rate of 6.00%, at June 30, 2019. The outstanding balance on the line of credit was \$221,477 at June 30, 2019. This debt is secured by all the business assets of the School.

NOTE 5 - CAPITAL LEASE OBLIGATIONS

During 2019, the School entered into a capital lease agreement of \$95,582 to acquire technology equipment. Interest is payable at a rate of 7.4% and due in monthly installments of \$2,950, including interest through May 2021. The School has a balance of \$65,641 as of June 30, 2019.

Future maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 31,803
2021	<u>33,838</u>
Total	<u>\$ 65,641</u>

(Continued)

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

During 2019 and 2018, changes in donor restricted net assets subject to satisfaction of purpose restrictions were as follows:

	June 30, 2018	Increases	Decreases	June 30, 2019
Capital Campaign - Renovations	\$ 105,000	\$ 300,000	\$ 220,000	\$ 185,000
Summer Pilot Program	47,500	-	23,467	24,033
STEM	12,500	-	3,007	9,493
Academic Lab Program	-	15,000	7,518	7,482
Drama Program	8,488	-	1,470	7,018
Robotics	-	6,803	5,332	1,471
Classroom furniture	1,200	-	-	1,200
Library furniture and books	-	7,500	7,500	-
Unum grant - Computers	-	7,250	7,250	-
Technology Program	1,073	-	1,073	-
Basketball and cheer	-	1,648	1,648	-
Courtyard renovation	120	-	120	-
Total, restated	<u>\$ 175,881</u>	<u>\$ 338,201</u>	<u>\$ 278,385</u>	<u>\$ 235,697</u>

	June 30, 2017	Increases	Decreases	June 30, 2018
Capital Campaign - Renovations	\$ 280,000	\$ 1,537	\$ 176,537	\$ 105,000
Summer Pilot Program	-	47,500	-	47,500
STEM	12,500	-	-	12,500
Drama Program	-	15,000	6,512	8,488
Classroom furniture	-	1,200	-	1,200
Technology Program	-	30,000	28,927	1,073
Courtyard renovation	-	1,000	880	120
Total, restated	<u>\$ 292,500</u>	<u>\$ 96,237</u>	<u>\$ 212,856</u>	<u>\$ 175,881</u>

NOTE 7 - CONCENTRATIONS

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

	Revenue	
	2019	2018
State and local grants	84%	90%
Contributions	9%	3%
Federal grants	5%	6%
Other	2%	1%
Total	<u>100%</u>	<u>100%</u>

NOTE 8 - COMMITMENTS

Building Lease

The School has extended its lease agreement in February 2019 for school space. The lease now expires in July 2024. Lease payments are based on 41,801 square feet of occupancy of the premises. The annual rental rate is \$4.50 for units No. 1 – 5 (26,809 square feet) and \$7.00 per square foot for units No. 6 – 10 (14,992 square feet). All units have an increase in price per square foot of \$0.50 each August. Additionally, the rental payment each month will include \$4,668 of common area expenses for maintenance, taxes and insurance. Rental expense under the lease for 2019 and 2018 was \$193,297 and \$169,433 annually.

The future operating lease agreement commitments are as follows:

Fiscal Year Ending June 30,	Amount
2020	229,129
2021	258,143
2022	279,046
2023	299,950
2024	345,428
2025	29,117
Total	<u>\$ 1,440,813</u>

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

Technology and Technology Service Agreement

In May of 2013, the School entered into a service agreement related to servicing of its IT equipment and network. The lease term ended July 31, 2015, and was extended for an additional 24 months. The service agreement was again extended for twelve months effective August 1, 2017. The School elected to terminate the service agreement and move to a month-to-month agreement. The expense relating to this IT service agreement was approximately \$42,300 and \$69,700 for 2019 and 2018, respectively.

Suits and Claims

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

NOTE 9 - PENSION PLAN

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$18,500 annually for calendar year 2019. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable. The School makes contributions to the Plan for employees with a written employment contract and in the amount stipulated by the contract, which is in accordance with the plan document. Contributions by the School totaled \$86,621 and \$69,953 for 2019 and 2018, respectively.

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

NOTE 10 - FUNDRAISING INCOME AND EXPENSES

The funds raised by the School's gala are included in operations and totaled \$42,205 and \$22,741 for 2019 and 2018, respectfully. The expenses attributable to the annual gala were \$8,644 and \$38,856 for 2019 and 2018, respectfully.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 23, 2019, which was the date the financial statements were available to be issued.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School's financial assets available within one year of the balance sheet date for general expenditure at June 30, 2019 and 2018, are as follows.

	<u>2019</u>	<u>2018</u>
Cash	\$ 935,873	\$ 594,422
Receivables	<u>171,884</u>	<u>97,550</u>
Total	<u>\$ 1,107,757</u>	<u>\$ 691,972</u>

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

NOTE 13 - RESTATEMENT OF CLASSIFICATION OF NET ASSETS

As discussed in Note 1, the School Implemented ASU No. 2016-14 during 2019 and, as a result, was required to restate net assets for June 30, 2018 to address the complexity and understandability of net asset classifications. Net assets previously reported as permanently or temporarily restricted are now reported as “net assets with donor restrictions”, and net assets previously reported as unrestricted are now reported as “net assets without donor restrictions.” The adoption of this standard had no effect on the School’s overall net assets balance at June 30, 2018.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During 2019, the School recorded a prior period adjustment to properly state receivables for unconditional promises to give. The effect of this restatement of nets assets is as followed:

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Total net assets, June 30, 2017 as previously reported	\$ 1,541,464	\$ 342,500	\$ 1,883,964
Restatement of unconditional promises to give	-	(50,000)	(50,000)
Total net aseets, June 30, 2017, as restated	\$ 1,541,464	\$ 292,500	\$ 1,833,964

SUPPLEMENTARY INFORMATION

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

For the year ended June 30, 2019

Agency Head: Heather Bourgeois, Principal

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 93,800
Benefits - insurance	6,096
Benefits - retirement	<u>3,000</u>
	<u>\$ 102,896</u>

Report on Internal Control and Compliance

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

June 30, 2019



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA KEY ACADEMY** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 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 23, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations as 2019-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Recommendations as item 2019-002.

Louisiana Key Academy's Responses to Findings

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

Purpose of this Report

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2019

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2019

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) A significant deficiency in internal control was disclosed by the audit of financial statements: **2019-001.**

Material weaknesses: **None**

- C) Noncompliance that is material to the financial statements: **2019-002.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2019-001 and 2019-002.**

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2019

2) Findings – Financial Statement Audit

2019-001 Lack of Segregation of Duties

Criteria: There is not sufficient staff to achieve segregation of duties to have effective internal control over financial reporting.

Condition: Personnel responsible for preparing and approving transactions also have the responsibility for recording and reconciling transactions in the accounting records.

Cause: The business office has a limited number of staff.

Effect: Errors or misstatements could occur and not be identified.

Recommendation: We recommend that management continue to delegate responsibilities to other administrative staff to enhance internal control through segregation of duties. Specifically, we recommend management continue and/or incorporate procedures as follows:

- Review of unopened bank statements, including cancelled checks, by a board member and member of management who is independent of cash disbursements and bank reconciliation processes,
- Purchase of a fidelity bond,
- Review all journal entries recorded in the accounting system.

Views of responsible officials and corrective action plan: Management intends to pursue segregation of responsibilities for personnel assigned to prepare and approve transactions.

(Continued)

SUMMARY OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

3) Findings – Noncompliance

2019-002 Public Bid Law

Criteria: R.S. 17:3996(B)(19) includes charter schools under contract with the State of Louisiana to comply with Revised Statute (R.S.) 38:2211, *Public Bid Law*, unless excluded through its charter contract. For the purchases of construction, alteration, improvement, or repair of any public facility or immovable property (public works) owned, used, or leased by any public entity, the School should advertise and award the contract to the lowest bidder for any public works services in excess of \$157,700, as set forth by the Louisiana state public bid law.

Condition: During 2019, the School did not comply with R.S. 38:2211, *Public Bid Law*, for the procurement of public works services for leasehold improvements.

Cause: The School awarded a contract for leasehold improvements without soliciting and advertising for bids as required by the Louisiana state public bid law for public works services.

Effect: The School violated the Louisiana Revised Statute 38:2211, *Public Bid Law*.

Recommendation: The School should ensure that future public works contracts should follow the rules and guidelines set forth by the Louisiana Revised Statute 38:2211, *Public Bid Law*.

Views of responsible officials and corrective action plan: The lessor of the facility in which the School occupies required the School to contract with a specific construction contractor for the improvements needed to operate and expand the School facility. The School was not aware of this requirement at the time the contract was awarded to the construction contractor. School management is aware of this requirement and intends to comply with these laws in any future instances where the *Public Bid Law* is required.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2019

2018-001 Lack of Segregation of Duties

Observation: This matter has been reclassified to Item 2019-001.

SCHEDULES REQUIRED BY STATE LAW

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



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

Dear Board Members:

We have performed the procedures enumerated below, which were agreed to by the management of **LOUISIANA KEY ACADEMY** (the School), and the Louisiana Legislative Auditor, on the performance and statistical data accompanying the annual financial statements of the School as of June 30, 2019 and to determine whether the specified schedules are free of obvious errors and omissions as required by the Board of Elementary and Secondary Education (BESE) Bulletin. The School's management is responsible for its performance and statistical. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

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

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

Exceptions Noted: None.

Schedule B-2: Class Size Characteristics

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

Exceptions Noted: None.

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 *Governmental Auditing Standards*, issued by the United States Comptroller General. We were not engaged to, and did not, perform 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 intended solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Academy, as required by Louisiana Revised Statute 24: 5141.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2019

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Schedule B-2 - Class Size Characteristics

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

For the year ended June 30, 2019

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

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,753,906	
Other Instructional Staff Activities	276,315	
Instructional Staff Employee Benefits	605,226	
Purchased Professional and Technical Services	13,264	
Instructional Materials and Supplies	123,858	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities		2,772,569

Other Instructional Activities	8,439	8,439
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Pupil Support Activities

Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		-

Instructional Staff Services

Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	36,775	36,775

School Administration

Less: Equipment for School Administration	-	
Net School Administration	698,191	698,191

Total General Fund Instructional Expenditures		\$ 3,515,974
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Total General Fund Equipment Expenditures		\$ -
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Certain Local Revenue Sources

Local Taxation Revenue:

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

Local Earnings on Investment in Real Property:

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

State Revenue in Lieu of Taxes:

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

Nonpublic Textbook Revenue

\$ -

Nonpublic Transportation Revenue

\$ -

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Class Size Characteristics

As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	96	24	4	1	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

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

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2019

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

To the Board of Directors of
Louisiana Key Academy and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Key Academy (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 (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 findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all

accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- 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.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) 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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the

legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted in the prior year report dated December 28, 2018. Therefore, the above procedure, Step 14, was not performed for the year ended June 30, 2019.

Contracts

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

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions were noted in the prior year report dated December 28, 2018. Therefore, the above procedures, Steps 16-19, were not performed for the year ended June 30, 2019.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedure, Step 20, was not performed for the years ended June 30, 2019 and 2018.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

This category is not applicable for not for profit entities.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended June 30, 2019

Exceptions:

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

Written Policies and Procedures:

No exceptions noted.

Board Committee:

No exceptions noted.

Bank Reconciliations:

3 (d) For one of the three bank accounts selected, the School had no documentation reflecting that reconciling items outstanding more than twelve months from the statement closing date had been researched.

Collections:

5 (a) The School's written policies and procedures do not address employees sharing cash drawers with other employees.

5 (b) The School's written policies and procedures do not address that each employee responsible for collection of cash is not responsible for preparing/making bank deposits.

5 (c) The School's written policies and procedures do not address which employees collect cash, make cash bank deposits, record the transaction and reconcile the related bank accounts.

5 (d) The School's written policies and procedures do not address which employees reconcile cash collections to the general ledger or subsidiary ledgers.

7 (d) Of the three deposits dates tested, three deposits were made more than one business day after the receipt of the collection. The School's policy is that deposits of cash collections must be within one week of the receipt of the collection.

Non-Payroll Disbursements:

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards:

There was one active card during the fiscal year, therefore one monthly statement was selected for each card.

12 (e) Of the 10 transactions selected for testing, six transactions did not have documentation of the business purpose.

Contracts:

15 (a) Although no exceptions were noted in the prior year procedures, it was noted during the financial audit that the School entered into a contract that was not bid in accordance with Louisiana Public Bid Law.

Other:

No exceptions noted.

Management's Response

The Board of Louisiana Key Academy concurs with the exceptions and are working to address the exceptions identified.

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.

(Continued)

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.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2019