

Southwest Louisiana Charter Academy
Foundation, Inc.

Combined Financial Statements
For the Year Ended June 30, 2018

Southwest Louisiana Charter Academy Foundation, Inc.

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Southwest Louisiana Charter Academy Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Charter Academy Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements on pages 15 through 17 and the Schedule of Board of Directors and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The Performance and Statistical Data, included as Schedules 1 and 2 and the Louisiana Legislative Auditor Statewide Agreed-Upon Procedures on pages 33 through 35, are not a required part of the combined financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Reports on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 21, 2018

FINANCIAL STATEMENTS

Southwest Louisiana Charter Academy Foundation, Inc.
 Combined Statement of Financial Position (Deficit)
 June 30, 2018

Current Assets:	
Cash and cash equivalents	\$ 1,081,104
Custodial funds - cash	50,234
Grants receivable	216,997
Other receivables	33,890
Prepaid items	15,691
Restricted investments	15,609
	<u>1,413,525</u>
Total current assets	1,413,525
Property and Equipment, less accumulated depreciation of \$ 3,776,478	<u>14,702,595</u>
Other Assets:	
Restricted investments	1,596,509
Deposits	8,626
	<u>1,605,135</u>
Total other assets	1,605,135
Total assets	<u>\$ 17,721,255</u>
Current Liabilities:	
Accounts payable and accrued expenses	\$ 93,816
Salaries and wages payable	405,537
Accrued interest payable	56,692
Due to related party	11,051
Due to management company	194,600
Custodial funds	50,234
Compensated absences	18,908
Notes payable	97,664
Bonds payable	215,000
Deferred revenue	11,906
	<u>1,155,408</u>
Total current liabilities	1,155,408
Noncurrent Liabilities:	
Due to related party	1,055,172
Compensated absences	6,303
Notes payable	2,202,402
Bonds payable, net of unamortized discount and bond issuance cost	16,282,699
	<u>19,546,576</u>
Total noncurrent liabilities	19,546,576
Total liabilities	<u>20,701,984</u>
Commitments (Note 10)	-
Net Assets (Deficit) - Unrestricted	<u>(2,980,729)</u>
Total liabilities and net assets	<u>\$ 17,721,255</u>

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

Southwest Louisiana Charter Academy Foundation, Inc.
 Combined Statement of Activities
 For the Year Ended June 30, 2018

Support and Revenues:

Support:

Contributions	\$ 4,509
Grants:	
Federal	1,395,904
State	85,341
Minimum Foundation Program	<u>10,946,338</u>
 Total support	 <u>12,432,092</u>

Revenues:

Food services	3,423
Before and aftercare fees	16,433
Other revenue	40,488
Interest income	<u>18,146</u>
 Total revenues	 <u>78,490</u>

Total support and revenues	<u>12,510,582</u>
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Expenses:

Instruction	5,748,145
Support services:	
Pupil personnel services	659,728
Instruction related technology	188,602
Instructional staff training services	177,647
School Board	67,566
School administration	1,127,715
Fiscal services	1,295,871
Food services	425,814
Central services	30,066
Transportation	422,110
Operation of plant	1,582,197
Community services	35,001
Interest and amortization expense	<u>1,532,266</u>

Total expenses	<u>13,292,728</u>
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Change in net assets	(782,146)
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Net Assets (Deficit), beginning of year	<u>(2,198,583)</u>
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Net Assets (Deficit), end of year	<u>\$ (2,980,729)</u>
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The accompanying notes to combined financial statements are an integral part of these statements.

Southwest Louisiana Charter Academy Foundation, Inc.
Combined Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Change in net assets	\$ (782,146)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Provision for depreciation	831,973
Provision for amortization of bond costs	17,298
Provision for amortization of bond discount	6,126
(Increase) Decrease in:	
Grants receivable	138,317
Due from related party	(10,326)
Other receivables	40,430
Prepaid items	54,934
Deposits	7,583
Increase (Decrease) in:	
Accounts payable and accrued expenses	(85,674)
Salaries and wages payable	(48,384)
Accrued interest payable	(543)
Due to management company	(272,567)
Due to related party	(1,873)
Custodial funds	(10,739)
Compensated absences	(27,250)
Deferred revenue	(8,742)
	<u>(151,583)</u>
Net cash used in operating activities	<u>(151,583)</u>
Cash Flows from Investing Activities:	
Net purchases (sales) of investments	587,473
Payments for purchase of property and equipment	<u>(315,632)</u>
	<u>271,841</u>
Net cash provided by investing activities	<u>271,841</u>
Cash Flows from Financing Activities:	
Payments on bonds and notes payable	<u>(412,906)</u>
	<u>(412,906)</u>
Net cash used in financing activities	<u>(412,906)</u>
	<u>(292,648)</u>
Decrease in cash and cash equivalents	<u>(292,648)</u>
Cash and cash equivalents, beginning of year	<u>1,423,986</u>
Cash and cash equivalents, end of year	<u>\$ 1,131,338</u>
Cash and cash equivalents	\$ 1,081,104
Custodial funds - cash	<u>50,234</u>
Total cash and cash equivalents	<u>\$ 1,131,338</u>

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

Note 1 - Organization and Operations

Organization: Southwest Louisiana Charter Academy Foundation, Inc. (the "Foundation"), a Louisiana not-for-profit corporation, was formed on April 19, 2012 exclusively for educational purposes and is comprised of respected leaders in the Lake Charles community that are committed to providing high quality educational options for the citizens of the Calcasieu Parish. Southwest Louisiana Charter Academy, a Department of the Foundation, was established as a charter school in July 2012 for students from kindergarten to eighth grade in the Louisiana Parish of Calcasieu. Lake Charles College Prep, a Department of the Foundation, was established as a charter school in July 2014 for students from ninth to twelfth grade in the Louisiana Parish of Calcasieu.

Nature of activities: Southwest Louisiana Charter Academy was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2012 to operate a Type 2 public charter school. The current charter is in effect until June 2022. The charter may be renewed at the discretion of BESE.

Lake Charles College Prep was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2014 to operate a Type 2 public charter school. The current charter is in effect until June 2019. The charter may be renewed at the discretion of BESE.

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

The mission of the Foundation is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential. The goal is to ensure that each student realizes their potential to become a self-motivated life-long learner, a responsible citizen, and a productive member of the global 21st century workforce, by ensuring that each graduating student is prepared to enter, compete, and succeed in secondary and post-secondary educational opportunities and careers of choice.

The Foundation will implement its mission through creating a learning environment of student safety and success that incorporates individualized, research-based instruction, integrated character education, project-based learning opportunities, and community engagement.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the reporting organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Foundation reports no temporarily restricted or permanently restricted net assets as of June 30, 2018.

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

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

Property and equipment: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements, and other major renewals that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related assets. Other costs incurred for repairs and maintenance are charged to expense as incurred. Interest expense is capitalized during the time a project is under construction and begins upon the issuance of bonds to finance the construction of a capital asset.

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

Building	45 years
Furniture and equipment	5 years
Computer equipment and software	3 years
Improvements other than building	10 years

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Total provision for amortization was \$ 17,298 for the year ended June 30, 2018.

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

Functional allocation of expenses: The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

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

Date of management’s review: Subsequent events have been evaluated through December 21, 2018, which is the date the financial statements were available to be issued.

Note 3 - Restricted Investments

Previously, the Foundation borrowed funds for construction of facilities for the School (Note 7). The restricted investments of the School are governed by the Bond Indenture and are held by the Trustee. At June 30, 2018, the School has \$ 1,612,118 invested in a money market mutual fund that is stated at amortized cost which approximates fair value. Investments are restricted for debt service (Note 7) and other activities as follows:

Series 2013 Debt Service Reserve Fund	\$	1,596,509
Series 2013 Revenue Fund		<u>15,609</u>
Total restricted investments	\$	<u><u>1,612,118</u></u>

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The exposure to credit risk is limited because the money market mutual fund is rated Aaa-mf by Moody’s.

Note 3 - Restricted Investments (continued)

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

Note 4 - Grants Receivable

As of June 30, 2018, grants receivable consisted of amounts due from the following sources:

<u>Receivables</u>	<u>Amount</u>
Title I	\$ 118,855
Title II	21,790
IDEA	22,709
Title IV	6,874
National School Lunch Program	41,386
Temporary Assistance for Needy Families	<u>5,383</u>
	\$ <u><u>216,997</u></u>

Note 5 - Property and Equipment

The following is a summary of property and equipment at June 30, 2018:

Land	\$ 1,792,554
Construction in progress	25,161
Building	13,032,731
Furniture, fixtures and equipment	1,523,666
Computer equipment and software	1,811,415
Improvements other than building	<u>293,546</u>
Less: accumulated depreciation	<u>(3,776,478)</u>
Property and equipment, net	\$ <u><u>14,702,595</u></u>

Depreciation expense for the year ended June 30, 2018 totaled \$ 831,973.

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

Note 6 - Due to Related Party

The Foundation and Lake Charles Charter Academy Foundation, Inc. ("LCCAF") are related, as they share common board membership. As of June 30, 2018, the financial statements include an amount due to LCCAF in the amount of \$ 1,066,223.

Southwest Louisiana Charter Academy Foundation, Inc.
Notes to Combined Financial Statements
June 30, 2018

Note 7 - Bonds Payable

a. Summary of Bonds Payable

Bonds payable at June 30, 2018 is comprised of the following bond issue:

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013; due in semi-annual installments beginning December 2016 through December 2043; interest payable semiannually at rates that range from 6.625% to 8.375%.	\$ 17,295,000
Less unamortized bond discount	(156,200)
Less unamortized bond issuance costs	<u>(441,101)</u>
	<u>\$ 16,497,699</u>

The following is a summary of changes in bonds payable for the year ended June 30, 2018:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
Tax-Exempt Educational Facilities Revenue Bonds, Series 2013	\$ 17,295,000	\$ -	\$ 200,000	\$ 17,095,000	\$ 215,000
Discount on Series 2013 Bonds	(162,326)	-	6,126	(156,200)	-
Bond issuance costs	<u>(458,399)</u>	<u>-</u>	<u>17,298</u>	<u>(441,101)</u>	<u>-</u>
	<u>\$ 16,674,275</u>	<u>\$ -</u>	<u>\$ 223,424</u>	<u>\$ 16,497,699</u>	<u>\$ 215,000</u>

b. Summary of Significant Bond Terms

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013 - Series 2013 tax-exempt bonds are for the purpose of (i) financing the acquisition, construction and equipping of Southwest Louisiana Charter Academy facilities, (ii) paying capitalized interest, (iii) funding a reserve fund, and (iv) paying a portion of the costs of issuance of the Series 2013 bonds. The bonds are payable in semi-annual principal installments beginning December 2016 through December 2043. Interest ranging from 6.625% to 8.375% is payable semiannually on the fifteenth day of June and December.

The bonds are subject to mandatory redemption at a redemption price equal to the principal amount plus accrued interest to the redemption date subject to certain events as outlined in the bond indenture. The bonds are not subject to a premium at optional redemption after December 15, 2023.

Note 7 - Bonds Payable (continued)

The annual debt service requirement for the Series 2013 Educational Facilities Revenue Bonds consists of:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 215,000	\$ 1,379,803	\$ 1,594,803
2020	225,000	1,365,394	1,590,394
2021	240,000	1,350,156	1,590,156
2022	255,000	1,334,091	1,589,091
2023	275,000	1,316,866	1,591,866
2024-2028	1,710,000	6,248,381	7,958,381
2029-2033	2,510,000	5,450,287	7,960,287
2034-2038	3,745,000	4,214,094	7,959,094
2039-2043	5,625,000	2,335,287	7,960,287
2044	2,295,000	96,103	2,391,103
	<u>\$ 17,095,000</u>	<u>\$ 25,090,462</u>	<u>\$ 42,185,462</u>

The trust indenture requires reserve funds equal to \$ 1,594,678 for the Series 2013 bonds. As of June 30, 2018, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which requires Southwest Louisiana Charter Academy ("SWLCA") to maintain a long-term debt service coverage ratio of 1.25 to 1.00. SWCLA did not meet this financial covenant because the long-term debt service coverage ratio for the year ended June 30, 2017 is as follows:

Covenant	Requirement	Calculated
Long-term debt service coverage ratio	At least 1.25	0.29

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

Note 8 - Notes Payable

The Foundation signed a 4.75% note payable (Loan 1) dated July 31, 2014 for the purchase of a facility for Lake Charles College Prep ("LCCP"). The note is with a financial institution and carries monthly principal and interest payments of \$ 17,068 through June 2019. Beginning in July 2019, there will be a rate adjustment which will occur every five years until July 2034. The rate adjustment will be tied to the then existing Wall Street Journal PRIME plus 1.75%. The Foundation signed a second 4.75% note payable (Loan 2) with Project Build a Future, Inc. for the purchase of the facility. The note has monthly principal and interest payments of \$ 5,042 through July 2019. In June 2018, the Foundation paid the remaining outstanding balance of the second note in advance of maturity.

Note 8 - Notes Payable (continued)

Balance as of June 30, 2018:		
Loan 1	\$	2,300,066
Less current portion		<u>(97,664)</u>
Long-term portion	\$	<u><u>2,202,402</u></u>

Loan 1 includes an acknowledgment that the financial institution is relying on the financial strength of Southwest Louisiana Charter Academy and Lake Charles Charter Academy to provide the support to cover any expected or unexpected losses associated with Foundation loan. This is not to say that they guarantee the debt of the Foundation but rather will acknowledge their commitment to cover the shortfalls projected.

The above-described notes payable are collateralized by the building in which the school operates.

The scheduled maturities of the notes payable based on interest rates in effect as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 97,664
2020	102,405
2021	107,376
2022	112,589
2023	118,055
2024-2028	682,018
2029-2033	864,445
2034-2035	<u>215,514</u>
	\$ <u><u>2,300,066</u></u>

Interest expense related to notes payable totaled \$ 116,166 for the year ended June 30, 2018.

Note 9 - Income Taxes

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

Note 10 - Commitments

Management agreement: The Foundation has a formal agreement with Charter Schools USA at Southwest Louisiana, LLC ("CSUSA") to manage, staff, and operate Southwest Louisiana Charter Academy ("SWLCA"). For this School, the cost reimbursements and management fees range from \$ 1,465,063 for 2019 to \$ 1,911,575 for 2028 if the School obtains a letter grade of "B" or above and at lesser amounts for grades below "B" as defined in the agreement. The agreement will renew to coincide with the charter renewals unless terminated by either party. Total cost reimbursements and management fees charged by CSUSA to SWLCA amounted to \$ 853,445 for the year ended June 30, 2018.

Note 10 - Commitments (continued)

The Foundation also had a formal agreement with Charter Schools USA Lake Charles Charter High School, LLC to manage, staff and operate Lake Charles College Prep ("LCCP"). This agreement provided that CSUSA would assess cost reimbursements and management fees (the "fee") for its services rendered pursuant to the agreement up to 15% of revenues if LCCP obtains a letter grade of "B" or above and at lesser amounts for grades below "B" as defined in the agreement. However, per the loan agreement for the LCCP facility (Note 8), the fee would be deferred until LCCP reached a minimum debt service coverage ratio of 1.25. The agreement terminated in June 2018 with LCCP's change in management (Note 14).

As shown below, Lake Charles College Prep reached the minimum debt service coverage ratio needed to pay the fee to CSUSA. Total cost reimbursements and management fees charged by CSUSA to LCCP amounts to \$ 428,970 for the year ended June 30, 2018.

<u>Covenant</u>	<u>Fee activated at</u>	<u>Calculated</u>
Long-term debt service coverage ratio	1.25	3.39

In July 2018, LCCP Began an Education Service Provider (ESP) agreement with McNeese State University ("the University") to manage, staff, and operate the School through 2021. The agreement states that the School shall pay the University monthly ESP fees totaling \$ 115,000 for the year ending June 30, 2019, with subsequent year's fee to be determined upon mutual agreement in preceding February.

Also at June 30, 2018, the Foundation had an amount due to the management company for \$ 194,600.

Post-retirement benefits: The Schools do not provide post-retirement benefits to retired employees.

Note 11 - Employee Benefit Plan

During the year ended June 30, 2018, the Schools offered all of its full-time employees, who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions.

Participants become vested in school contributions and earnings on School contributions according to the following schedule:

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

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2018, the School contributed a matching amount of \$ 11,223.

Note 12 - Net Assets (Deficit)

The Foundation ended the year with a net asset (deficit) of \$ (2,980,729). Included in this deficit is accumulated depreciation of \$ 3,776,478. The Foundation ended the year with cash and cash equivalents of \$ 1,081,104. Currently, the Foundation does not have any plans to restructure debt, dispose of assets, or obtain additional funding sources. It may however, upon approval of SWLCA's management company, delay payments to the management company should SWLCA have cash needs. For 2018/2019 school, SWLCA has increased its enrollment by approximately 100 students, in addition the Minimum Foundation Program per student funding as of September 2018 is approximately \$ 1,000 per student higher than the previous year. SWLCA continues to focus on increasing enrollment.

Note 13 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information

Cash received during the year for - Interest income	\$	18,146
Cash paid during the year for - Interest expense	\$	1,509,385

Note 14 - Subsequent Event

Effective July 1, 2018, the Lake Charles College Prep ("LCCP") terminated its management agreement with Charter Schools USA Lake Charles Charter High School, LLC. Substantially all management, staffing, and operation functions over LCCP transferred to McNeese State University (the "University") through an Education Service Provider (ESP) agreement with the University starting on July 1, 2018. The change in management was a condition of the charter renewal through June 2019 required by the Louisiana Board of Elementary and Secondary Education.

COMBINING INDIVIDUAL FUND
FINANCIAL STATEMENTS

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Financial Position (Deficit)
June 30, 2018

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Current Assets:					
Cash and cash equivalents	\$ 217,665	\$ 861,717	\$ 1,722	\$ -	\$ 1,081,104
Custodial funds - cash	38,903	11,331	-	-	50,234
Grants receivable	142,900	74,097	-	-	216,997
Due from related party	16,842	14,383	-	(31,225)	-
Other receivables	28,986	4,904	-	-	33,890
Prepaid items	5,691	10,000	-	-	15,691
Restricted investments	15,609	-	-	-	15,609
	<u>466,596</u>	<u>976,432</u>	<u>1,722</u>	<u>(31,225)</u>	<u>1,413,525</u>
Total current assets					
Property and Equipment, less accumulated depreciation	<u>11,628,117</u>	<u>472,324</u>	<u>2,602,154</u>	<u>-</u>	<u>14,702,595</u>
Other Assets:					
Restricted investments	1,596,509	-	-	-	1,596,509
Deposits	8,626	-	-	-	8,626
	<u>1,605,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,605,135</u>
Total other assets					
Total assets	<u>\$ 13,699,848</u>	<u>\$ 1,448,756</u>	<u>\$ 2,603,876</u>	<u>\$ (31,225)</u>	<u>\$ 17,721,255</u>
Current Liabilities:					
Accounts payable and accrued expenses	\$ 49,486	\$ 44,330	\$ -	\$ -	\$ 93,816
Salaries and wages payable	360,482	45,055	-	-	405,537
Accrued interest payable	56,692	-	-	-	56,692
Due to management company	144,981	49,619	-	-	194,600
Due to related party	23,534	-	18,742	(31,225)	11,051
Custodial funds	38,903	11,331	-	-	50,234
Compensated absences	18,908	-	-	-	18,908
Notes payable	-	-	97,664	-	97,664
Bonds payable	215,000	-	-	-	215,000
Deferred revenue	2,865	9,041	-	-	11,906
	<u>910,851</u>	<u>159,376</u>	<u>116,406</u>	<u>(31,225)</u>	<u>1,155,408</u>
Total current liabilities					
Noncurrent Liabilities:					
Due to related party	-	1,055,172	-	-	1,055,172
Compensated absences	6,303	-	-	-	6,303
Notes payable	-	-	2,202,402	-	2,202,402
Bonds payable, net of unamortized discount and bond issuance costs	16,282,699	-	-	-	16,282,699
	<u>16,289,002</u>	<u>1,055,172</u>	<u>2,202,402</u>	<u>-</u>	<u>19,546,576</u>
Total noncurrent liabilities					
Total liabilities	<u>17,199,853</u>	<u>1,214,548</u>	<u>2,318,808</u>	<u>(31,225)</u>	<u>20,701,984</u>
Net Assets (Deficit) - Unrestricted	<u>(3,500,005)</u>	<u>234,208</u>	<u>285,068</u>	<u>-</u>	<u>(2,980,729)</u>
Total liabilities and net assets	<u>\$ 13,699,848</u>	<u>\$ 1,448,756</u>	<u>\$ 2,603,876</u>	<u>\$ (31,225)</u>	<u>\$ 17,721,255</u>

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Activities
For the Year Ended June 30, 2018

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Support and Revenues:					
Support:					
Contributions	\$ -	\$ -	\$ 4,509	\$ -	\$ 4,509
Grants:					
Federal	986,038	409,866	-	-	1,395,904
State	46,025	39,316	-	-	85,341
Minimum Foundation Program	<u>6,036,337</u>	<u>4,910,001</u>	<u>-</u>	<u>-</u>	<u>10,946,338</u>
Total support	<u>7,068,400</u>	<u>5,359,183</u>	<u>4,509</u>	<u>-</u>	<u>12,432,092</u>
Revenues:					
Food services	3,423	-	-	-	3,423
Before and aftercare fees	16,433	-	-	-	16,433
Other revenue	29,938	10,159	329,072	(328,681)	40,488
Interest income	<u>18,128</u>	<u>11</u>	<u>7</u>	<u>-</u>	<u>18,146</u>
Total revenues	<u>67,922</u>	<u>10,170</u>	<u>329,079</u>	<u>(328,681)</u>	<u>78,490</u>
Total support and revenues	<u>7,136,322</u>	<u>5,369,353</u>	<u>333,588</u>	<u>(328,681)</u>	<u>12,510,582</u>
Expenses:					
Instruction	3,635,844	2,112,301	-	-	5,748,145
Support services:					
Pupil personnel services	374,193	285,535	-	-	659,728
Instruction related technology	104,534	84,068	-	-	188,602
Instructional staff training services	85,126	92,521	-	-	177,647
School Board	43,013	18,523	6,030	-	67,566
School administration	645,340	481,076	1,299	-	1,127,715
Fiscal services	861,966	433,905	-	-	1,295,871
Food services	268,034	157,780	-	-	425,814
Central services	15,571	14,495	-	-	30,066
Transportation	249,159	172,951	-	-	422,110
Operation of plant	925,614	935,557	49,707	(328,681)	1,582,197
Community services	30,583	-	4,418	-	35,001
Interest and amortization expense	<u>1,416,100</u>	<u>-</u>	<u>116,166</u>	<u>-</u>	<u>1,532,266</u>
Total expenses	<u>8,655,077</u>	<u>4,788,712</u>	<u>177,620</u>	<u>(328,681)</u>	<u>13,292,728</u>
Change in net assets	(1,518,755)	580,641	155,968	-	(782,146)
Net Assets (Deficit), beginning of year	<u>(1,981,250)</u>	<u>(346,433)</u>	<u>129,100</u>	<u>-</u>	<u>(2,198,583)</u>
Net Assets (Deficit), end of year	<u>\$ (3,500,005)</u>	<u>\$ 234,208</u>	<u>\$ 285,068</u>	<u>\$ -</u>	<u>\$ (2,980,729)</u>

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Cash Flows from Operating Activities:					
Change in net assets	\$ (1,518,755)	\$ 580,641	\$ 155,968	\$ -	\$ (782,146)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Provision for depreciation	575,759	206,507	49,707	-	831,973
Provision for amortization of bond costs	17,298	-	-	-	17,298
Provision for amortization of bond discount	6,126	-	-	-	6,126
(Increase) Decrease in:					
Grants receivable	77,100	61,217	-	-	138,317
Due from related party	11,322	(14,383)	-	(7,265)	(10,326)
Other receivables	23,486	16,944	-	-	40,430
Prepaid items	55,541	(607)	-	-	54,934
Deposits	-	7,583	-	-	7,583
Increase (Decrease) in:					
Accounts payable and accrued expenses	(35,017)	(50,657)	-	-	(85,674)
Salaries and wages payable	61,870	(110,254)	-	-	(48,384)
Accrued interest payable	(543)	-	-	-	(543)
Due to management company	225,723	(498,290)	-	-	(272,567)
Due to related party	(7,038)	(2,100)	-	7,265	(1,873)
Custodial funds	(1,835)	(8,904)	-	-	(10,739)
Compensated absences	(10,766)	(16,484)	-	-	(27,250)
Deferred revenue	2,865	(11,607)	-	-	(8,742)
	<u>(516,864)</u>	<u>159,606</u>	<u>205,675</u>	<u>-</u>	<u>(151,583)</u>
Net cash provided by (used in) operating activities					
Cash Flows from Investing Activities:					
Net (purchases) sales of investments	587,473	-	-	-	587,473
Payments for purchase of property and equipment	(173,256)	(142,376)	-	-	(315,632)
	<u>414,217</u>	<u>(142,376)</u>	<u>-</u>	<u>-</u>	<u>271,841</u>
Net cash provided by (used in) investing activities					
Cash Flows from Financing Activities:					
Payments on bonds and notes payable	(200,000)	-	(212,906)	-	(412,906)
	<u>(200,000)</u>	<u>-</u>	<u>(212,906)</u>	<u>-</u>	<u>(412,906)</u>
Net cash used in financing activities					
Increase (decrease) in cash and cash equivalents	(302,647)	17,230	(7,231)	-	(292,648)
Cash and cash equivalents, beginning of year	559,215	855,818	8,953	-	1,423,986
Cash and cash equivalents, end of year	<u>\$ 256,568</u>	<u>\$ 873,048</u>	<u>\$ 1,722</u>	<u>\$ -</u>	<u>\$ 1,131,338</u>
Cash and cash equivalents	\$ 217,665	\$ 861,717	\$ 1,722	\$ -	\$ 1,081,104
Custodial funds - cash	<u>38,903</u>	<u>11,331</u>	<u>-</u>	<u>-</u>	<u>50,234</u>
Total cash and cash equivalents	<u>\$ 256,568</u>	<u>\$ 873,048</u>	<u>\$ 1,722</u>	<u>\$ -</u>	<u>\$ 1,131,338</u>

SUPPLEMENTAL INFORMATION

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name:				
Indirect Programs:				
U.S. Department of Agriculture - Passed through Louisiana Department of Agriculture -				
National School Lunch Program	10.555	-	\$ 388,269	\$ -
School Breakfast Program	10.553	-	<u>74,123</u>	<u>-</u>
Total U.S. Department of Agriculture and Total Child Nutritional Cluster			462,392	-
Department of Education - Passed through Louisiana Department of Education -				
Title I Grants to Local Educational Agencies	84.010	-	616,287	-
Special Education - Grants to States	84.027	-	236,224	-
Supporting Effective Instruction State Grant	84.367	-	35,650	-
Student Support and Academic Enrichment Program	84.424	-	<u>7,705</u>	<u>-</u>
Total U.S. Department of Education			<u>895,866</u>	<u>-</u>
U.S. Department of Health and Human Services Passed through the Louisiana Department of Health and Human Services -				
Temporary Assistance For Needy Families (TANF) State Programs	93.558	-	<u>37,646</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>37,646</u>	<u>-</u>
Total expenditures of Federal Awards			<u>\$ 1,395,904</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of the Foundation for the year ending June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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

Note 4 - Contingency

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

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Board of Directors
June 30, 2018

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

Southwest Louisiana Charter Academy Foundation, Inc.
 Schedule of Compensation, Benefits and Other Payments to
 Agency Head or Chief Executive Officer
 For the Year Ended June 30, 2018

Agency Head: Judge Ulysses Gene Thibodeaux, President

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

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

INTERNAL CONTROLS AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a not-for-profit organization) (the "Foundation") which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 21, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Southwest Louisiana Charter Academy Foundation, Inc.'s (a not-for-profit organization) (the "Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major Federal programs for the year ended June 30, 2018. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 21, 2018

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

A. Summary of Auditor's Results

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

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

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

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Awards Programs

No matters were reported.

D. Other Issues

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

SCHEDULES REQUIRED BY STATE LAW
(LA R.S. 24:524 - PERFORMANCE
AND STATISTICAL DATA)

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the management of Southwest Louisiana Charter Academy Foundation, Inc.; the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statement of Southwest Louisiana Charter Academy Foundation, Inc. for the fiscal year ended June 30, 2018; 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 Southwest Louisiana Charter Academy Foundation, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

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

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

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

No exceptions noted.

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

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

No exceptions noted.

Public School Staff Data: Average Salaries (No Schedule)

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

No exceptions noted.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 21, 2018

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

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

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

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

Southwest Louisiana Charter Academy Foundation, Inc.
 General Fund Instructional and Support Expenditures
 and Certain Local Revenue Sources
 For the Year Ended June 30, 2018

Schedule 1

General Fund Instructional and Equipment Expenditures:

General Fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 3,500,339	
Other instructional staff activities	484,905	
Instructional staff employee benefits	678,199	
Purchased professional and technical services	133,032	
Instructional materials and supplies	319,983	
Instructional equipment	<u>274,270</u>	

Total teacher and student interaction activities		\$ 5,390,728
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Other instructional activities	330,007	330,007
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Pupil support activities	282,053	
Less: equipment for pupil support activities	<u>-</u>	

Net pupil support activities		282,053
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Instructional staff services	12,155	
Less: equipment for instructional staff services	<u>-</u>	

Net instructional staff services		12,155
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School administration	914,544	
Less: equipment for school administration	<u>-</u>	

Net school administration		<u>914,544</u>
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Total General Fund instructional expenditures		\$ <u><u>6,929,487</u></u>
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Total General Fund equipment expenditures		\$ <u><u>274,270</u></u>
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See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 General Fund Instructional and Support Expenditures
 and Certain Local Revenue Sources
 (continued)
 For the Year Ended June 30, 2018

Schedule 1

Certain Local Revenue Sources:

Local taxation revenue:

Constitutional ad valorem taxes	\$	-
Renewable ad valorem tax		-
Debt services ad valorem tax		-
Up to 1% of collections by the sheriff on taxes other than school taxes		-
Sales and use taxes		-
		<u>-</u>

Total local taxation revenue \$ -

Local earnings on investment in real property:

Earnings from 16th Section property	\$	-
Earnings from other real property		-
		<u>-</u>

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		-
		<u>-</u>

Total state revenue in lieu of taxes \$ -

Nonpublic textbook revenue \$ -

Nonpublic transportation revenue \$ -

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

Southwest Louisiana Charter Academy Foundation, Inc.
 Class Size Characteristics
 As of October 1, 2018

Schedule 2

	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
School Type:								
Elementary	26%	63	18%	15				
Elementary/activity classes	9%	22	6%	5	-	-	87%	13
Middle/Junior High	16%	38	17%	14	-	-	-	-
Middle/Junior High activity classes	9%	21	6%	5			13%	2
High	40%	96	53%	44	100%	51	-	-
High activity classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination activity classes	-	-	-	-	-	-	-	-
Total	100%	240	100%	83	100%	51	100%	15

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

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

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

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Southwest Louisiana Charter Academy Foundation, Inc. (the "Entity") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

Collections

2. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.
3. We noted that there is a central person at each deposit site through which collections are deposited. Using the listing provided by management, we obtained and inspected written policies and procedures relating to employee job duties at each deposit site, and observed that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
4. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
5. We randomly selected two deposit dates from the general ledger or other accounting records during the fiscal period for each cash account and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement
 - d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the deposit was less than \$100).
 - e) Traced the actual deposit per the bank statement to the general ledger.

Comment: The Entity was unable to provide any support for deposit selections made for the deposit site Lake Charles College Prep. Due to a change in management company subsequent to year-end, the related documentation had been misplaced.

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

6. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management’s representation that the listing is complete.
7. Using the listing prepared by management, we randomly selected 5 cards (or all cards if the entity has less than 5 cards) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card, 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/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observed that finance charges and late fees were not assessed on the selected statements.
8. Using the monthly statements or combined statements selected under #7 above, excluding fuel cards, we randomly selected 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, we 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).

Comment: Supporting documentation for 1 out of 10 transactions selected for testing could not be provided by the Entity.

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 21, 2018



Response to Exceptions in AUP Results Report

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

Signature: Lindsey Lennon

Title: Controller