

Southwest Louisiana Charter Academy  
Foundation, Inc.

Combined Financial Statements  
For the Year Ended June 30, 2019

# 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, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Charter Academy Foundation, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements on pages 16 through 18 and the Schedule of Board of Directors and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 21 and 22 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 on pages 28 through 33 and the Louisiana Legislative Auditor Statewide Agreed-Upon Procedures on pages 34 through 37, are not a required part of the combined financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Reports on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
December 27, 2019

# FINANCIAL STATEMENTS

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combined Statement of Financial Position**  
**June 30, 2019**

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**Current Assets:**

Cash and cash equivalents	\$ 2,638,929
Custodial funds - cash	82,585
Grants receivable	309,366
Other receivables	4,781
Restricted investments	<u>43,998</u>
Total current assets	<u>3,079,659</u>

**Property and Equipment, less accumulated depreciation of \$ 4,512,742**

14,505,828

**Other Assets:**

Restricted investments	1,597,462
Deposits	<u>8,626</u>
Total other assets	<u>1,606,088</u>

Total assets \$ 19,191,575

**Current Liabilities:**

Accounts payable and accrued expenses	\$ 160,509
Salaries and wages payable	421,936
Accrued interest payable	56,108
Due to related party	3,141
Due to management company	636,099
Custodial funds	82,585
Compensated absences	21,432
Note payable	102,405
Bonds payable	225,000
Deferred revenue	<u>9,041</u>
Total current liabilities	<u>1,718,256</u>

**Noncurrent Liabilities:**

Due to related party	1,054,784
Compensated absences	7,144
Note payable	2,100,151
Bonds payable, net of unamortized discount and bond issuance costs	<u>16,081,123</u>

Total noncurrent liabilities 19,243,202

Total liabilities 20,961,458

**Commitments (Note 12)**

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**Net Assets (Deficit) - Without Donor Restrictions**

(1,769,883)

Total liabilities and net assets \$ 19,191,575

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

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

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**Support and Revenues:**

Support:

Contributions \$ 14,720

Grants:

Federal 1,371,839

State 141,929

Minimum Foundation Program 13,457,991

Total support 14,986,479

Revenues:

Before and aftercare fees 18,092

Other revenue 62,787

Interest income 31,278

Total revenues 112,157

Total support and revenues 15,098,636

**Expenses:**

Program services:

Regular education 8,942,783

Special education 1,427,053

Other education 153,625

Supporting services

Management and general 3,364,329

Total expenses 13,887,790

Change in net assets 1,210,846

**Net Assets (Deficit) Without Donor Restrictions, Beginning of Year** (2,980,729)

**Net Assets (Deficit) Without Donor Restrictions, End of Year** \$ (1,769,883)

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

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combined Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management and General	
Salaries	\$ 4,447,912	\$ 747,453	\$ 104,317	\$ 576,819	\$ 5,876,501
Contracted and vendor services	718,037	172,607	-	579,521	1,470,165
Interest	-	-	-	1,492,651	1,492,651
Benefits	775,452	133,681	1,719	58,303	969,155
Depreciation and amortization	607,638	75,101	-	70,823	753,562
Student services	489,842	60,542	45,332	-	595,716
Food service	428,697	52,986	2,257	1,291	485,231
Repairs and maintenance	404,797	50,031	-	14,067	468,895
Supplies and materials	366,090	47,602	-	24,607	438,299
Utilities	246,931	30,519	-	8,581	286,031
Rent	-	-	-	244,669	244,669
Technology	94,221	11,645	-	95,288	201,154
Insurance	119,695	14,793	-	4,236	138,724
Professional development	113,163	13,987	-	-	127,150
Professional services	4,433	548	-	82,538	87,519
Travel	19,036	2,353	-	39,801	61,190
Marketing and recruitment	49,241	6,086	-	1,675	57,002
Office expense	28,171	3,482	-	37,577	69,230
School board fees	29,427	3,637	-	2,122	35,186
Other	-	-	-	29,760	29,760
Total expenses	<u>\$ 8,942,783</u>	<u>\$ 1,427,053</u>	<u>\$ 153,625</u>	<u>\$ 3,364,329</u>	<u>\$ 13,887,790</u>

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, 2019**

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 1,210,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	736,264
Provision for amortization of bond costs	17,298
Provision for amortization of bond discount	6,126
(Increase) Decrease in:	
Grants receivable	(92,369)
Due from related party	(100,103)
Other receivables	29,109
Prepaid items	15,691
Increase (Decrease) in:	
Accounts payable and accrued expenses	66,693
Salaries and wages payable	32,883
Accrued interest payable	(584)
Due to management company	441,499
Due to related party	91,805
Custodial funds	32,351
Compensated absences	(13,119)
Deferred revenue	(2,865)
	<u>2,471,525</u>
Net cash provided by operating activities	<u>2,471,525</u>
<b>Cash Flows from Investing Activities:</b>	
Sales of investments	1,623,642
Purchases of investments	(1,652,984)
Payments for purchase of property and equipment	(539,497)
	<u>(568,839)</u>
Net cash used in investing activities	<u>(568,839)</u>
<b>Cash Flows from Financing Activities:</b>	
Payments on bonds and notes payable	(312,510)
	<u>(312,510)</u>
Net cash used in financing activities	<u>(312,510)</u>
Increase in cash and cash equivalents	1,590,176
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,131,338</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,721,514</u>
Cash and cash equivalents	\$ 2,638,929
Custodial funds - cash	<u>82,585</u>
Total cash and cash equivalents	<u>\$ 2,721,514</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 ("SWLCA") 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 ("LCCP") 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 2022. The charter may be renewed at the discretion of BESE.

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

The mission of the Foundation is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential. The 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:** Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Reporting Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

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

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

**Minimum Foundation Program (MFP):** The 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.

**Restricted investments:** At June 30, 2019, restricted investments include escrow balances restricted for debt service (Notes 4 and 9) and other activities as follows:

Series 2013 Debt Service Reserve Fund	\$	1,597,462
Series 2013 Revenue Fund		<u>43,998</u>
Total restricted investments	\$	<u><u>1,641,460</u></u>

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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.

**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, 2019.

**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. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

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

**Note 3 - Custodial Funds - Cash**

As a service to the various School club and parent organizations, the Schools permit these organizations to deposit their own funds in separate School checking accounts. Since these funds are outside of regular School operations, they are also recorded as a liability in the statement of financial position.

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Notes to Combined Financial Statements**  
**June 30, 2019**

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**Note 4 - Restricted Investments**

Previously, the Foundation borrowed funds for construction of facilities for SWLCA (Note 9). The restricted investments of the Foundation are governed by the Bond Indenture and are held by the Trustee. At June 30, 2019, the Foundation has \$ 1,641,460 invested in a money market mutual fund that is stated at amortized cost which approximates fair value.

**Note 5 - Liquidity and Availability of Financial Assets**

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

Financial Assets:	
Cash and cash equivalents	\$ 2,638,929
Grants and other receivables	<u>314,147</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>2,953,076</u></u>

**Note 6 - Grants Receivable**

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

<u>Receivables</u>	<u>Amount</u>
Title I	\$ 250,624
IDEA	34,213
Title II	555
Title III	6,000
Title IV	86
Early Childhood Education	7,460
Temporary Assistance for Needy Families	<u>10,428</u>
	\$ <u><u>309,366</u></u>

**Note 7 - Property and Equipment**

The following is a summary of property and equipment at June 30, 2019:

Building	\$ 13,032,731
Furniture, fixtures and equipment	1,558,168
Computer equipment and software	1,880,815
Improvements other than building	293,546
	<u>16,765,260</u>
Less: accumulated depreciation	<u>(4,512,742)</u>
	12,252,518
Land	1,792,554
Construction in progress	<u>460,756</u>
Property and equipment, net	<u><u>\$ 14,505,828</u></u>

Depreciation expense for the year ended June 30, 2019 totaled \$ 736,264.

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 8 - 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, 2019, the financial statements include an amount due to LCCAF in the amount of \$ 1,057,925.

**Note 9 - Bonds Payable**

a. Summary of Bonds Payable

Bonds payable at June 30, 2019 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%.	\$ 16,880,000
Less unamortized bond discount	(150,074)
Less unamortized bond issuance costs	<u>(423,803)</u>
	<u><u>\$ 16,306,123</u></u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Notes to Combined Financial Statements**  
**June 30, 2019**

**Note 9 - Bonds Payable (continued)**

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

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Tax-Exempt Educational Facilities Revenue Bonds, Series 2013	\$ 17,095,000	\$ -	\$ 215,000	\$ 16,880,000	\$ 225,000
Discount on Series 2013 Bonds	(156,200)	-	6,126	(150,074)	-
Bond issuance costs	(441,101)	-	17,298	(423,803)	-
	<u>\$ 16,497,699</u>	<u>\$ -</u>	<u>\$ 238,424</u>	<u>\$ 16,306,123</u>	<u>\$ 225,000</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 SWLCA 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.

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

Year Ending June 30,	Principal	Interest	Total
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	295,000	1,298,316	1,593,316
2025-2029	1,840,000	6,116,241	7,956,241
2030-2034	2,720,000	5,242,813	7,962,813
2035-2039	4,060,000	3,898,930	7,958,930
2040-2044	6,970,000	1,787,852	8,757,852
	<u>\$ 16,880,000</u>	<u>\$ 23,710,659</u>	<u>\$ 40,590,659</u>

**Note 9 - Bonds Payable (continued)**

The trust indenture requires reserve funds equal to \$ 1,594,678 for the Series 2013 bonds. As of June 30, 2019, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which requires SWLCA to maintain a long-term debt service coverage ratio of 1.25 to 1.00. SWCLA met this financial covenant because the long-term debt service coverage ratio for the year ended June 30, 2019 is as follows:

<u>Covenant</u>	<u>Requirement</u>	<u>Calculated</u>
Long-term debt service coverage ratio	At least 1.25	1.32

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 10 - Notes Payable**

The Foundation signed a 4.75% note payable dated July 31, 2014 for the purchase of a facility for LCCP. The note is with a financial institution and carries monthly principal and interest payments of \$ 17,068 through June 2024. Beginning in July 2019, there was 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 note payable includes an acknowledgment that the financial institution is relying on the financial strength of SWLCA and LCCAF 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 note payable is collateralized by the building in which the school operates.

Interest expense related to the note payable totaled \$ 107,306 for the year ended June 30, 2019.

The scheduled maturities of the notes payable based on interest rates in effect as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 102,405
2021	107,376
2022	112,589
2023	118,055
2024	123,787
2025-2029	715,129
2030-2034	906,412
2035	16,803
	<u>\$ 2,202,556</u>

#### Note 11 - 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 12 - Commitments

**Management agreement:** The Foundation has a formal agreement with Charter Schools USA at Southwest Louisiana, LLC (“CSUSA”) to manage, staff, and operate SWLCA. For this School, the cost reimbursements and management fees range from \$ 1,509,015 for 2020 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 \$ 1,073,018 for the year ended June 30, 2019.

Also at June 30, 2019, SWLCA had an amount due to CSUSA for \$ 636,099.

The Foundation also has an Education Service Provider (ESP) agreement with McNeese State University (“the University”) to assist the Foundation in its management and operation of educational services of LCCP through June 2021. The agreement as amended states that the School shall pay monthly ESP fees totaling an annual amount of \$ 50,000 for the year ending June 30, 2020, with the fee for subsequent years to be determined upon mutual agreement in the preceding February. Total ESP fees charged by the University amounted to \$ 115,000 for the year ended June 30, 2019.

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

#### Note 13 - Employee Benefit Plan

During the year ended June 30, 2019, SWLCA 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 SWLCA’s management, SWLCA 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, SWLCA contributed a matching amount of \$ 7,040.

**Note 13 - Employee Benefit Plan (continued)**

During the year ended June 30, 2019, LCCP offered all of its full-time employees a retirement plan (the "Plan") under Internal Revenue Code Section 403(b). 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 LCCP'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>
Less than 3	0%
3	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2019, LCCP contributed a matching amount of \$ 12,796.

**Note 14 - Net Assets (Deficit)**

The Foundation ended the year with a net asset (deficit) of \$ (1,769,883). Included in this deficit is accumulated depreciation of \$ 4,512,742. The Foundation ended the year with cash and cash equivalents of \$ 2,638,929. Currently, SWLCA 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 2019/2020 school year, SWLCA has increased its enrollment by approximately 45 students. SWLCA continues to focus on increasing enrollment.

**Note 15 - Supplemental Cash Flow Information**

Supplemental Disclosure of Cash Flow Information

Cash received during the year for - Interest income	\$ 31,278
Cash paid during the year for - Interest expense	\$ 1,487,109

**Note 16 - Subsequent Event**

The Foundation is in the process of preparing a limited offering of Series 2019 Bonds in order to finance the acquisition, construction and equipping of a new 80,000 square foot high school campus for LCCP and refinance existing debt used to acquire temporary facilities and the land site upon which LCCP will be located.

COMBINING INDIVIDUAL FUND  
FINANCIAL STATEMENTS

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Financial Position**  
**June 30, 2019**

	<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>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 970,159	\$ 1,581,184	\$ 87,586	\$ -	\$ 2,638,929
Custodial funds - cash	35,834	46,751	-	-	82,585
Grants receivable	233,124	76,242	-	-	309,366
Due from related parties	90,315	33,748	-	(124,063)	-
Other receivables	2,675	2,106	-	-	4,781
Prepaid items	-	-	-	-	-
Restricted investments	43,998	-	-	-	43,998
Total current assets	<u>1,376,105</u>	<u>1,740,031</u>	<u>87,586</u>	<u>(124,063)</u>	<u>3,079,659</u>
<b>Property and Equipment, less accumulated depreciation</b>	<u>11,189,281</u>	<u>764,101</u>	<u>2,552,446</u>	<u>-</u>	<u>14,505,828</u>
<b>Other Assets:</b>					
Restricted investments	1,597,462	-	-	-	1,597,462
Deposits	8,626	-	-	-	8,626
Total other assets	<u>1,606,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606,088</u>
Total assets	<u>\$ 14,171,474</u>	<u>\$ 2,504,132</u>	<u>\$ 2,640,032</u>	<u>\$ (124,063)</u>	<u>\$ 19,191,575</u>
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 91,468	\$ 69,041	\$ -	\$ -	\$ 160,509
Salaries and wages payable	330,389	91,547	-	-	421,936
Accrued interest payable	56,108	-	-	-	56,108
Due to management company	636,099	-	-	-	636,099
Due to related parties	3,141	31,601	92,462	(124,063)	3,141
Custodial funds	35,834	46,751	-	-	82,585
Compensated absences	21,432	-	-	-	21,432
Notes payable	-	-	102,405	-	102,405
Bonds payable	225,000	-	-	-	225,000
Deferred revenue	-	9,041	-	-	9,041
Total current liabilities	<u>1,399,471</u>	<u>247,981</u>	<u>194,867</u>	<u>(124,063)</u>	<u>1,718,256</u>
<b>Noncurrent Liabilities:</b>					
Due to related party	-	1,054,784	-	-	1,054,784
Compensated absences	7,144	-	-	-	7,144
Notes payable	-	-	2,100,151	-	2,100,151
Bonds payable, net of unamortized discount and bond issuance costs	16,081,123	-	-	-	16,081,123
Total noncurrent liabilities	<u>16,088,267</u>	<u>1,054,784</u>	<u>2,100,151</u>	<u>-</u>	<u>19,243,202</u>
Total liabilities	<u>17,487,738</u>	<u>1,302,765</u>	<u>2,295,018</u>	<u>(124,063)</u>	<u>20,961,458</u>
<b>Net Assets (Deficit) -Without Donor Restrictions</b>	<u>(3,316,264)</u>	<u>1,201,367</u>	<u>345,014</u>	<u>-</u>	<u>(1,769,883)</u>
Total liabilities and net assets	<u>\$ 14,171,474</u>	<u>\$ 2,504,132</u>	<u>\$ 2,640,032</u>	<u>\$ (124,063)</u>	<u>\$ 19,191,575</u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Activities Without Donor Restrictions**  
**For the Year Ended June 30, 2019**

	<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>
<b>Support and Revenues:</b>					
Support:					
Contributions	\$ -	\$ -	\$ 14,720	\$ -	\$ 14,720
Grants:					
Federal	879,577	492,262	-	-	1,371,839
State	41,077	100,852	-	-	141,929
Minimum Foundation Program	7,949,599	5,508,392	-	-	13,457,991
Total support	<u>8,870,253</u>	<u>6,101,506</u>	<u>14,720</u>	<u>-</u>	<u>14,986,479</u>
Revenues:					
Before and aftercare fees	18,092	-	-	-	18,092
Other revenue	38,218	24,569	204,816	(204,816)	62,787
Net investment income	29,702	1,420	156	-	31,278
Total revenues	<u>86,012</u>	<u>25,989</u>	<u>204,972</u>	<u>(204,816)</u>	<u>112,157</u>
Total support and revenues	<u>8,956,265</u>	<u>6,127,495</u>	<u>219,692</u>	<u>(204,816)</u>	<u>15,098,636</u>
<b>Expenses:</b>					
Program services:					
Regular education	5,233,463	3,709,320	-	-	8,942,783
Special education	970,392	456,661	-	-	1,427,053
Other education	111,579	42,046	-	-	153,625
Supporting services			-	-	-
Management and general	2,457,090	952,309	159,746	(204,816)	3,364,329
Total expenses	<u>8,772,524</u>	<u>5,160,336</u>	<u>159,746</u>	<u>(204,816)</u>	<u>13,887,790</u>
Change in net assets	183,741	967,159	59,946	-	1,210,846
<b>Net Assets (Deficit) Without Donor Restrictions, Beginning of Year</b>	<u>(3,500,005)</u>	<u>234,208</u>	<u>285,068</u>	<u>-</u>	<u>(2,980,729)</u>
<b>Net Assets (Deficit) Without Donor Restrictions, End of Year</b>	<u>\$ (3,316,264)</u>	<u>\$ 1,201,367</u>	<u>\$ 345,014</u>	<u>\$ -</u>	<u>\$ (1,769,883)</u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

	<b>Southwest Louisiana Charter Academy</b>	<b>Lake Charles College Prep</b>	<b>Southwest Louisiana Charter Academy Foundation</b>	<b>Eliminations</b>	<b>Combining Total</b>
<b>Cash Flows from Operating Activities:</b>					
Change in net assets	\$ 183,741	\$ 967,159	\$ 59,946	\$ -	\$ 1,210,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Provision for depreciation	522,318	164,238	49,708	-	736,264
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	(90,224)	(2,145)	-	-	(92,369)
Due from related parties	(73,473)	(19,365)	-	(7,265)	(100,103)
Other receivables	26,311	2,798	-	-	29,109
Prepaid items	5,691	10,000	-	-	15,691
Increase (Decrease) in:					
Accounts payable and accrued expenses	41,982	24,711	-	-	66,693
Salaries and wages payable	(30,093)	62,976	-	-	32,883
Accrued interest payable	(584)	-	-	-	(584)
Due to management company	491,118	(49,619)	-	-	441,499
Due to related party	(20,393)	31,213	73,720	7,265	91,805
Custodial funds	(3,069)	35,420	-	-	32,351
Compensated absences	3,365	(16,484)	-	-	(13,119)
Deferred revenue	(2,865)	-	-	-	(2,865)
Net cash provided by operating activities	<u>1,077,249</u>	<u>1,210,902</u>	<u>183,374</u>	<u>-</u>	<u>2,471,525</u>
<b>Cash Flows from Investing Activities:</b>					
Sales of investments	1,623,642	-	-	-	1,623,642
Purchases of investments	(1,652,984)	-	-	-	(1,652,984)
Payments for purchase of property and equipment	(83,482)	(456,015)	-	-	(539,497)
Net cash used in investing activities	<u>(112,824)</u>	<u>(456,015)</u>	<u>-</u>	<u>-</u>	<u>(568,839)</u>
<b>Cash Flows from Financing Activities:</b>					
Payments on bonds and notes payable	(215,000)	-	(97,510)	-	(312,510)
Net cash used in financing activities	<u>(215,000)</u>	<u>-</u>	<u>(97,510)</u>	<u>-</u>	<u>(312,510)</u>
Increase in cash and cash equivalents	749,425	754,887	85,864	-	1,590,176
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>256,568</u>	<u>873,048</u>	<u>1,722</u>	<u>-</u>	<u>1,131,338</u>
<b>Cash and cash equivalents, End of Year</b>	<u>\$ 1,005,993</u>	<u>\$ 1,627,935</u>	<u>\$ 87,586</u>	<u>\$ -</u>	<u>\$ 2,721,514</u>
Cash and cash equivalents	\$ 970,159	\$ 1,581,184	\$ 87,586	\$ -	\$ 2,638,929
Custodial funds - cash	<u>35,834</u>	<u>46,751</u>	<u>-</u>	<u>-</u>	<u>82,585</u>
Total cash and cash equivalents	<u>\$ 1,005,993</u>	<u>\$ 1,627,935</u>	<u>\$ 87,586</u>	<u>\$ -</u>	<u>\$ 2,721,514</u>

## SUPPLEMENTAL INFORMATION

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

<u>Federal Agency/Federal Program</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
<b>Federal Agency Name:</b>				
Indirect Programs:				
U.S. Department of Agriculture -				
Passed through Louisiana Department of				
Agriculture -				
National School Lunch Program	10.555	-	\$ 403,597	\$ -
School Breakfast Program	10.553	-	<u>103,909</u>	<u>-</u>
Total U.S. Department of Agriculture and Total Child Nutritional Cluster			<u>507,506</u>	-
Department of Education -				
Passed through Louisiana Department of				
Education -				
Title I Grants to Local Educational Agencies	84.010	-	495,874	-
Special Education - Grants to States	84.027	-	198,100	-
Supporting Effective Instruction State Grant	84.367	-	70,216	-
English Language Acquisition Grants	84.365	-	6,000	-
Student Support and Academic Enrichment Program	84.424	-	<u>44,220</u>	<u>-</u>
Total U.S. Department of Education			<u>814,410</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>49,923</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>49,923</u>	<u>-</u>
Total expenditures of Federal Awards			<u>\$ 1,371,839</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

**Note 1 - Basis of Presentation**

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 3 - Indirect Cost Rate**

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

**Note 4 - Contingency**

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

Southwest Louisiana Charter Academy Foundation, Inc.  
Schedule of Board of Directors  
June 30, 2019

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

**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, 2019**

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**Agency Head:** Judge Ulysses Gene Thibodeaux, President

<b>Purpose</b>	<b>Amount</b>
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, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 27, 2019.

### **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 27, 2019

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

To the Board of Trustees  
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, 2019. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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, 2019.

## Report on Internal Control Over Compliance

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

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

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

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
December 27, 2019

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

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**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. A separate management letter dated October 9, 2019 was issued.
2. There were no prior audit findings related to Federal programs.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.

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

INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees  
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, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. Management of 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 1<sup>st</sup> PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

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 27, 2019

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

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

**Schedule 2 (Formerly Schedule 6) Class Size Characteristics**

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

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

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**Schedule 1**

**General Fund Instructional and Equipment Expenditures:**

General Fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 3,631,738	
Other instructional staff activities	325,600	
Instructional staff employee benefits	670,544	
Purchased professional and technical services	402,105	
Instructional materials and supplies	403,589	
Instructional equipment	<u>34,777</u>	

Total teacher and student interaction activities		\$ 5,468,353
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Other instructional activities	139,749	139,749
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Pupil support activities	338,767	
Less: equipment for pupil support activities	<u>-</u>	

Net pupil support activities		338,767
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Instructional staff services	735,887	
Less: equipment for instructional staff services	<u>-</u>	

Net instructional staff services		735,887
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School administration	927,033	
Less: equipment for school administration	<u>-</u>	

Net school administration		<u>927,033</u>
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Total General Fund instructional expenditures		\$ <u><u>7,609,789</u></u>
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Total General Fund equipment expenditures		\$ <u><u>34,777</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, 2019

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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		-
		<hr/>
Total local taxation revenue	\$	<hr/> <hr/> -

Local earnings on investment in real property:

Earnings from 16th Section property		-
Earnings from other real property		-
		<hr/>
Total local earnings on investment in real property	\$	<hr/> <hr/> -

State revenue in lieu of taxes:

Revenue sharing - constitutional tax	\$	-
Revenue sharing - other taxes		-
Revenue sharing - excess portion		-
Other revenue in lieu of taxes		-
		<hr/>
Total state revenue in lieu of taxes	\$	<hr/> <hr/> -

Nonpublic textbook revenue	\$	<hr/> -
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Nonpublic transportation revenue	\$	<hr/> <hr/> -
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See individual accountant's report on applying agreed-upon procedures.

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

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**Schedule 2**

	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
<b>School Type:</b>								
Elementary	19%	52	23%	38	-	-	-	-
Elementary/activity classes	9%	25	26%	44	23%	3	100%	3
Middle/Junior High	17%	45	14%	24	-	-	-	-
Middle/Junior High activity classes	6%	15	2%	3	-	-	-	-
High	49%	133	35%	59	77%	10	-	-
High activity classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination activity classes	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>270</b>	<b>100%</b>	<b>168</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>3</b>

**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.

**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, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

**Written Policies and Procedures**

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Comment:** We noted that the written policies and procedures in place for Lake Charles College Prep, in the areas below, lacked specific detail regarding the process steps and roles assigned that would provide sufficient guidance and effective compliance:

- a) **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.
- b) **Disbursements**, including processing, reviewing, and approving.
- c) **Receipts**, including collection procedures, submission, and documentation requirements at the school and the segregation of the collection role from the depositing and reconciliation role. Also absent were policies and procedures designed to help ensure the completeness of collections and deposits for different types of revenue, such as recalculation or dual signing on collection forms.
- d) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- e) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled and by whom they can be held, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage and assessing the reasonableness of fuel card purchases.
- f) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- g) **Ethics**, including (1) a system to monitor possible ethics violations, and (2) a requirement that all employees annually attest through signature verification that they have read the entity's ethics policy.
- h) **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.

## 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:** Due to a recent change in management company, Lake Charles College Prep lacked sufficient written policies and procedures on the employees tasked with collecting cash at the school as distinct from those depositing funds. Consequently, the safeguards above could not be verified.

Additionally, in testing we discovered that certain deposit component items had been collected as many as 49 days prior to depositing in the bank account for Lake Charles College Prep and 39 days for Southwest Louisiana Charter Academy. This pattern for the period between collection and depositing seemed to be unpredictable, and in some instances was as short as one day.

#### **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 two out of ten transactions selected for testing could not be provided by Southwest Louisiana Charter Academy. Two additional transactions lacked documentation of the business purpose of the trip. Supporting documentation for one out of seven transactions selected for testing could not be provided by Lake Charles Charter Academy. Five additional transactions lacked documentation of the business purpose of the expense.

### Ethics

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

**Comment:** No comments in this area.

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

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

*Keefe McCullough*

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
December 27, 2019



**Response to Exceptions in AUP Results Report**

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

Signature: *Mark W. Gamble* Title: State Financial Director at Charter Schools USA

Signature: *Doreah Knight* Title: Director of Education