

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (hereafter Democracy Prep Louisiana Charter School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Democracy Prep Louisiana Charter School as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in conformity 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 financial statements as a whole. The accompanying schedules 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*, and Schedule of Compensation, Benefits and other Payments to the School Leader, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data is not a required part of the basic financial statements but is 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 financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of Democracy Prep Louisiana Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Democracy Prep Louisiana Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Democracy Prep Louisiana Charter School's internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

December 8, 2020

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 1,663,078	\$ 654,996
Accounts receivable, net	388,458	300,713
Other current assets	39,504	20,794
Total Current Assets	<u>2,091,040</u>	<u>976,503</u>
Property and Equipment		
Furniture and fixtures	292,726	292,726
Equipment	294,093	253,697
Musical instruments	34,886	22,816
Leasehold improvements	200,983	200,983
	<u>822,688</u>	<u>770,222</u>
Accumulated depreciation	(398,414)	(276,480)
Total Property and Equipment	<u>424,274</u>	<u>493,742</u>
Total Assets	<u><u>\$ 2,515,314</u></u>	<u><u>\$ 1,470,245</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 229,172	\$ 862,060
Accrued salaries and benefits	269,774	183,293
Current portion of long term debt	241,672	-
Recoupment liability	220,000	-
Due to management company	270,231	-
Other current liabilities	8,131	-
Total Current Liabilities	<u>1,238,980</u>	<u>1,045,353</u>
Long Term Liabilities		
Note payable, net of short term portion	<u>382,628</u>	<u>-</u>
Total Long Term Liabilities	<u>382,628</u>	<u>-</u>
Total Liabilities	1,621,608	1,045,353
Net Assets Without Donor Restrictions	<u>893,706</u>	<u>424,892</u>
Total Liabilities and Net Assets	<u><u>\$ 2,515,314</u></u>	<u><u>\$ 1,470,245</u></u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUES		
Minimum Foundation Program	\$ 5,937,404	\$ 5,465,699
Federal grants	1,131,375	1,194,072
State grants	79,116	16,547
Other grants	34,560	43,243
Contributions	-	5,000
Forgiveness of debt	-	783,123
Other income	7	5
	<u>7,182,462</u>	<u>7,507,689</u>
Total Revenues	7,182,462	7,507,689
EXPENSES		
Program services	5,722,882	6,073,836
Management and general	990,766	963,063
	<u>6,713,648</u>	<u>7,036,899</u>
Total Expenses	6,713,648	7,036,899
CHANGE IN NET ASSETS	468,814	470,790
Net assets - beginning of year	424,892	(45,898)
Net assets - end of year	<u>\$ 893,706</u>	<u>\$ 424,892</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Management & General	Total
Contract services	\$ 277,060	\$ 8,507	\$ 285,567
Curriculum materials and software	357,969	-	357,969
Depreciation	97,547	24,387	121,934
Employee benefits	219,953	73,318	293,271
Food service	498,293	-	498,293
Insurance	68,881	17,220	86,101
Legal and professional	548,751	548,751	1,097,502
Licenses and fees	62,892	62,892	125,784
Office expense	19,525	6,508	26,033
Other	308	308	616
Payroll taxes	174,615	19,402	194,017
Professional development	133,060	-	133,060
Recruiting and marketing	33,672	-	33,672
Repairs and maintenance	133,353	33,338	166,691
Salaries	2,382,225	141,139	2,523,364
Student transportation	494,367	-	494,367
Technology and computer	59,737	14,791	74,528
Telephone	23,570	5,892	29,462
Travel	446	149	595
Utilities	136,658	34,164	170,822
	<u>\$ 5,722,882</u>	<u>\$ 990,766</u>	<u>\$ 6,713,648</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Contract services	\$ 254,402	\$ 84,801	\$ 339,203
Curriculum materials and software	355,573	-	355,573
Depreciation	100,814	25,204	126,018
Employee benefits	221,742	73,914	295,656
Food service	454,224	-	454,224
Insurance	70,357	17,589	87,946
Legal and professional	424,164	424,164	848,328
Licenses and fees	6,322	6,322	12,644
Office expense	19,759	6,586	26,345
Other	26,830	718	27,548
Payroll taxes	200,412	22,268	222,680
Professional development	111,435	-	111,435
Recruiting and marketing	37,584	-	37,584
Repairs and maintenance	150,554	37,638	188,192
Salaries	2,654,774	201,630	2,856,404
Student transportation	728,550	-	728,550
Technology and computer	22,729	10,500	33,229
Telephone	43,798	10,950	54,748
Travel	50,475	5,944	56,419
Utilities	139,338	34,835	174,173
	<u>\$ 6,073,836</u>	<u>\$ 963,063</u>	<u>\$ 7,036,899</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 468,814	\$ 470,790
<u>Adjustments to reconcile net revenues over expenses to net cash provided by operating activities:</u>		
Depreciation	121,934	126,018
Increase in accounts receivable	(87,745)	(162,512)
Decrease in due from management company	-	406,881
(Increase) Decrease in other current assets	(18,710)	9,679
Increase (Decrease) in accounts payable	(632,888)	410,692
Increase in accrued salaries and benefits	86,481	183,293
Increase (Decrease) in other current liabilities	8,131	(6,052)
Increase (Decrease) in due to management company	270,231	(559,522)
Increase in recoupment liability	220,000	-
Decrease in checks written in excess of cash	-	(30,778)
Total adjustments	<u>(32,566)</u>	<u>377,699</u>
Net cash provided by operating activities	436,248	848,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to the acquisition of capital assets	(52,466)	(221,831)
Proceeds related to the disposal of capitalized assets	-	29,211
Net cash used in financing activities	<u>(52,466)</u>	<u>(192,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	624,300	-
Payments on capital lease	-	(1,061)
Net cash provided by (used in) investing activities	<u>624,300</u>	<u>(1,061)</u>
INCREASE IN CASH	1,008,082	654,808
CASH, BEGINNING OF YEAR	<u>654,996</u>	<u>188</u>
CASH, END OF YEAR	<u>\$ 1,663,078</u>	<u>\$ 654,996</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

1. Summary of Significant Accounting Policies

(a) Organization

Democracy Prep Louisiana Charter School (the School) was incorporated on August 12, 2013 as a non-profit corporation under the laws of the State of Louisiana. The School operates under a Type 5 charter approved by the Louisiana board of Elementary and Secondary Education (BESE) that expired on June 30, 2020. The charter was renewed on July 01, 2020 that will expire on June 30, 2023 and may be renewed for successive periods.

(b) Basis of Accounting

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The allocation calculation is primarily based on the student enrollment at the School and is recognized monthly when received.

Federal and state funds are passed through the Louisiana Department of Education. The School's federal grant funding is on a cost reimbursement basis and is recognized as earned once the expenditures have been incurred.

The School receives private funding in the form of contributions from various individuals and entities. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The School does not have any activity that would give rise to variable consideration.

(d) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

1. Summary of Significant Accounting Policies (continued)

(e) Accounts and Grants Receivable

Accounts receivable represent amounts due under federal and state grant programs as well as contributions. The grant programs are reimbursable in nature and revenue is recognized as a receivable once the expenditures are incurred. Contributions are recognized at estimated fair value when the donor makes a pledge to give when it is an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met.

(f) Functional Expenses

The School allocates its expenses on a functional basis between program service or general and administrative. Expenses that can be identified with the school curriculum are allocated directly according to their natural expense classification. Other expenses are allocated between program service and general and administrative based on management's estimate of time, percentage, or square footage used, among other factors.

(g) Income Taxes

The School accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files information returns in the U.S. federal jurisdiction. The School is not subject to U.S. federal income tax examinations by tax authorities beyond three years from the filing of those returns.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(i) Recently Issued Account Standards

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU and all subsequently issued clarifying ASUs replaced most revenue recognition guidance in U.S. GAAP and addresses how an entity should recognize revenue derived from various contracts with customers that generate revenue, along with requiring additional disclosures related to the nature, amount, and timing of revenue and cash flows arising from contracts with customers. Primarily, the update requires the organization to evaluate the various performance obligations related to its contracts with customers, allocate the transaction price to the various performance obligations, and recognize revenue as performance obligations are satisfied. The standard was adopted using the modified retrospective method.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

1. Summary of Significant Accounting Policies (continued)

(i) Recently Issued Account Standards (continued)

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the guidance for contributions received and contributions made, and provides guidance to organizations on how to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional.

The adoption of these standards did not result in any changes to beginning net assets at July 1, 2019. Based on the School's evaluation process and review of its grant contracts and contribution award documentation, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standards.

2. Concentrations

At various times during the year, the School maintained cash balances in its bank accounts in excess of FDIC insurable limits. In evaluating this credit risk, the School periodically evaluated the stability of these financial institutions.

The School receives the majority of its operating revenue from the State of Louisiana and the OPSB in the form of MFP funding. The School also receives grants from federal agencies, state agencies, and private foundations. The percentage of revenue and receivables from these sources in excess of 10% is as follows:

	Revenue	Receivables
2020		
MFP	83%	N/A
Federal Grants	16%	100%
2019		
MFP	73%	N/A
Federal Grants	16%	100%
CMO Debt Forgiveness	10%	N/A

3. Leases

For the year ended June 30, 2020 and 2019 the School occupied a building that was owned by East Baton Rouge Parish Schools and the Recovery School District and therefore did not have a monthly lease payment. In exchange for occupying the building at no cost, the School received lower MFP funding per student.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

4. Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the least term. The useful lives range from three to forty years. The School's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred.

All assets acquired with public funds are the property of the School for the duration of the charter. If the charter is revoked or surrendered, or the School otherwise ceases to operate, all assets purchased with public funds will automatically revert to full ownership by BESE or the appropriate agency.

Depreciation expense was \$121,935 and \$126,018 for the years ended June 30, 2020 and 2019, respectively.

5. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year. Therefore, there are no compensated absences accrued at June 30, 2020 or 2019.

6. Retirement Plan

The School offers a 403(b) retirement plan for eligible employees. Eligibility to participate in the plan is based on the employee's age, length of service, and various other factors. For those that are eligible, the School will matchup to 5% of the employee's contributions for the first five years, 6% for the sixth year, and 1% annually thereafter until 15%. The School does not participate in the Teacher's Retirement System of Louisiana (TRSL).

For the years ended June 30, 2020 & 2019 the amounts paid related to the School's retirement plan were \$62,736 and \$70,136 respectively.

7. Management Company

The School has an agreement with Democracy Prep Public School (DPPS) to provide a school curriculum and model, as well as, management, accounting, and other services. Per the agreement the fee for these services is 14% of non-competitive public revenue received by the School and will decrease one half percentage point each year until it reaches a minimum of 12%. The fee rate at June 30, 2020 and 2019 was 13% and 13.5%, respectively. Per the agreement, the fee is to be paid monthly but payment may be postponed if necessary to provide the School adequate cash flows to support operations.

The management fee at June 30, 2020 and 2019 was \$823,941 and \$832,961, respectively.

8. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to conform to the current year presentation.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

9. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:	<u>2020</u>	<u>2019</u>
Cash	\$ 1,663,078	\$ 654,996
Accounts Receivable, net	388,458	300,713
Financial Assets Available for General Expenditures	<u>\$ 2,051,536</u>	<u>\$ 955,709</u>

As part of the School's liquidity management, cash is kept in various checking accounts that can be accessed to meet daily needs of the organization.

10. Forgiveness of Debt

The School has a management agreement with DPPS that calls for a fee based on a percentage of total Non-Competitive Public Revenue. During the current fiscal year the School entered into a separate agreement with DPPS in which all outstanding debts due to DPPS, as of June 30, 2019, were reduced to \$300,000. As a result, the School recognized \$783,123 in revenue in the form of loan forgiveness for the year ended June 30, 2019. The remaining \$300,000 is accrued as a payable at year end.

11. Commitments and Contingencies

The School receives grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the School's management that its compliance with the terms of the grant will not result in any disallowed costs.

12. Subsequent Event

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 08, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the School is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

13. PPP Loan

The School received additional federal funding in the form of forgivable SBA loan for the purpose of maintaining the School's staffing during the Covid-19 Pandemic of 2020. This funding was issued as a loan with stipulations that the loan would be forgivable up to the full amount of the loan if the funds were used for particular expenditures. No interest or principal payments are required February 2021, at which point interest of 1% per year will be assessed on the outstanding balance. No portion of this loan has been forgiven as of June 30, 2020. The balance due as of June 30, 2020 and 2019 was \$640,300 and \$0, respectively.

Future maturities for this note are as follows:

Fiscal Year 2021	\$ 241,672
Fiscal Year 2022	<u>382,628</u>
	<u><u>\$ 624,300</u></u>

14. Recoupment Liability

In June 2020, a civil suit was brought against the School and the East Baton Rouge Parish School Board (EBR). The compliant alleges the named parties have not provided payment for work completed to return the School to an operating condition after flooding in August of 2016. The complainant is seeking recovery of expenses and damages in excess of \$1.1 million. The services have remained unpaid due to confusion between the named parties pertaining to which entity would be responsible for payment. The full extent of the School's responsibility of this payment is currently unknown. To the extent possible, management has estimated the School will be liable for approximately 20% of the total cost. A recoupment liability of \$220,000 and \$0 has been recorded as of June 30, 2020 and 2019, respectively.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity	Total Federal Expenditures
U.S. Department of Agriculture			
Passed Through LA Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$ 389,578
Child and Adult Care Food Program	10.558	N/A	115
Summer Food Service Program for Children	10.559	N/A	161,221
Total Child Nutrition Cluster			<u>550,914</u>
Total Passed Through LA Department of Education			<u>550,914</u>
Total U.S. Department of Agriculture			550,914
U.S. Department of Education			
Passed Through LA Department of Education			
Title 1 Cluster			
Title 1 Grants to Local Educational Agencies	84.010	N/A	331,078
Direct Student Services	84.010A	N/A	20,481
Total Title 1 Cluster			351,559
Special Education - Grants to Schools	84.027	N/A	116,531
School Improvement Grants	84.377	N/A	40,629
Teacher and School Leader Incentive Grants	84.374	N/A	44,525
Student Support and Academic Enrichment Program	84.424	N/A	27,217
Total Passed Through LA Department of Education			<u>580,461</u>
Total U.S. Department of Education			<u>580,461</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,131,375</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Democracy Prep Louisiana Charter School (the School) under programs of the federal government for the year ended June 30, 2020. 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 School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

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

3. Indirect Cost Rate

The School has elected not to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2020**

School Leader (Executive Director)	M. Gieg
Salary	\$ 120,804
Benefits - insurance	35,304
Benefits - Retirement	6,091
	<u>\$ 162,199</u>

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

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (hereafter Democracy Prep Louisiana Charter School), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Democracy Prep Louisiana Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian, APAC
Baton Rouge, LA

December 8, 2020

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

To the Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

We have audited Democracy Prep Louisiana Charter School dba Democracy Prep Baton Rouge Charter School (hereafter Democracy Prep Louisiana Charter School), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Democracy Prep Louisiana Charter School's major federal programs for the year ended June 30, 2020. Democracy Prep Louisiana Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Democracy Prep Louisiana Charter School'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 Democracy Prep Louisiana Charter School'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 on Democracy Prep Louisiana Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion Democracy Prep Louisiana Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Democracy Prep Louisiana Charter School 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 Democracy Prep Louisiana Charter School'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 our opinion on compliance for each major 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 Democracy Prep Louisiana Charter School'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.

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



Daigrepoint & Brian, APAC
Baton Rouge, LA

December 8, 2020

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

We have audited the financial statements of Democracy Prep dba Democracy Prep Louisiana Charter School as of June 30, 2020, and for the year then ended, and have issued our report thereon dated December 8, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Uniform Guidance. Our audit of the financial statements as of June 30, 2020 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
10.555, 10.558, & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B		\$ 750,000		
Is the auditee a 'low risk' auditee as defined by the Uniform Guidance	Yes	_____	No	_____ <u>X</u>

B. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control				
Material Weaknesses	Yes	_____	No	_____ <u>X</u>
Significant Deficiencies	Yes	_____	No	_____ <u>X</u>
Compliance with Provisions of Laws, Regulation, Contracts or Grant Agreements				
	Yes	_____	No	_____ <u>X</u>

C. Report on Each Major Federal Program and on Internal Control Over Compliance

Internal Control				
Material Weaknesses	Yes	_____	No	_____ <u>X</u>
Significant Deficiencies	Yes	_____	No	_____ <u>X</u>
Type of Opinion on Compliance for Each Major Program				
Child Nutrition Cluster			Unmodified	
Are there findings required to be reported in accordance with the				
	Yes	_____	No	_____ <u>X</u>

Findings - Financial Statement Audit

There are no findings for the year ended June 30, 2020.

Questioned Costs

There are no questioned costs for the year ended June 30, 2020.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary of Prior Year Audit Findings

There were no prior year audit findings.

Summary of Prior Questioned Costs

There were no prior year questioned cost.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (hereafter Democracy Prep Louisiana Charter School) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Democracy Prep Louisiana Charter School for the fiscal year ended June 30, 2020; and to determine specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514.1. Management of Democracy Prep Louisiana Charter School is responsible for its performance and statistical data. 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.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

Procedure #1

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts on the Schedule:

- Total General Fund Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Results of Procedure #1

In performing the testing on the sample of expenditures/revenues we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

Class Size Characteristics (Schedule 2)

Procedure #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 1st roll books for those classes and determined if the class was properly classified on the Schedule.

Results of Procedure #2

No discrepancies were noted between the classes reported on the Schedule and those in the roll books.

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

Procedure #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.

Results of Procedure #3

No differences were noted between the PEP data information provided and the information in the personnel files.

Public School Staff Data: Average Salaries (No Schedule)

Procedure #4

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

Results of Procedure #4

No differences were noted between the salary information reported on the PEP data report provided by management and the supporting records.

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

This 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 Democracy Prep Louisiana Charter School, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepont & Brian
Baton Rouge, LA

December 8, 2020

DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
BATON ROUGE, LA

Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2020

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

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

Schedule 2 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
BATON ROUGE, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2020**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 1,491,017	
Other Instructional Staff Activities	125,580	
Instructional Staff Employee Benefits	372,720	
Purchased Professional and Technical Services	797,812	
Instructional Materials and Supplies	320,328	
Instructional Equipment	<u>52,466</u>	
Total Teacher and Student Interaction Activities		3,159,923
Pupil Support Activities	248,284	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		248,284
Instructional Staff Services	134,229	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		134,229
School Administration	684,202	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>684,202</u>
Total General Fund Instructional Expenditures		<u>\$ 4,226,638</u>
Total General Fund Equipment Expenditures		<u>\$ 52,466</u>

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

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
BATON ROUGE, LA**

**Class Size Characteristics
As of October 1, 2019**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	0%	-	11%	2	83%	15	6%	1
Combination Activity Classes								

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