



Shreveport Charter Foundation, Inc.

FINANCIAL STATEMENTS

June 30, 2021 and 2020



REPORT	
Independent Auditors' Report.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	8
Notes to the Financial Statements.....	9
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	21
Notes to the Schedule of Expenditures of Federal Awards.....	22
Schedule of Compensation Paid to the Board of Trustees.....	24
Schedule of Compensation, Benefits and Other Payments to Agency Head.....	25
REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	28
Schedule of Findings and Questioned Costs.....	31
Management's Corrective Action Plan for Findings and Questioned Costs.....	38



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Charter Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, on our consideration of Shreveport Charter Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shreveport Charter Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Foundation, Inc.'s internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

March 10, 2022

Shreveport Charter Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current assets		
Cash	\$ 762,427	\$ 295,806
Grant and other receivables	238,169	252,551
Due from management company	-	108,378
Prepaid expenses and other current assets	51,028	2,646
Total current assets	1,051,624	659,381
Property and equipment		
Real estate and buildings held under capital leases	28,813,183	28,813,183
Furniture, fixtures and equipment held under capital leases	1,810,821	1,810,821
Less: accumulated amortization	(9,344,312)	(8,016,153)
Furniture, fixtures and equipment	1,450,980	1,125,520
Less: accumulated depreciation	(1,020,894)	(861,493)
Net property and equipment	21,709,778	22,871,878
Other assets		
Deposits	36,333	44,053
Total other assets	36,333	44,053
Total assets	\$ 22,797,735	\$ 23,575,312
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable	\$ 88,253	\$ 37,679
Capital lease payable, current	431,506	370,013
Accrued expenses	755,521	509,100
Due to management company	192,848	-
Total current liabilities	1,468,128	916,792
Long-term liabilities		
Interest payable	1,341,295	1,333,900
Capital lease payable, long-term	28,160,844	28,592,350
Total long-term liabilities	29,502,139	29,926,250
Total liabilities	30,970,267	30,843,042
Net assets (deficit)		
Without donor restrictions	(8,172,532)	(7,267,730)
With donor restrictions	-	-
Total net assets (deficit)	(8,172,532)	(7,267,730)
Total liabilities and net assets (deficit)	\$ 22,797,735	\$ 23,575,312

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

Shreveport Charter Foundation, Inc.
Statement of Activities

<i>For the year ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Minimum Foundation Program	\$ 11,679,202	\$ -	\$ 11,679,202
Federal grants	823,186	-	823,186
Contribution from CSUSA	493,658	-	493,658
Debt forgiveness	1,389,673	-	1,389,673
Other income	121,859	-	121,859
Total support and revenue	14,507,578	-	14,507,578
Expenses			
Program services			
Regular education	8,389,942	-	8,389,942
Special education	1,490,960	-	1,490,960
Other education	22,817	-	22,817
Supporting services			
Management and general	5,508,661	-	5,508,661
Total expenses	15,412,380	-	15,412,380
Change in net assets	(904,802)	-	(904,802)
Net assets (deficit), beginning of period	(7,267,730)	-	(7,267,730)
Net assets (deficit), end of period	\$ (8,172,532)	\$ -	\$ (8,172,532)

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

Shreveport Charter Foundation, Inc.
Statement of Activities

<i>For the year ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Minimum Foundation Program	\$ 11,408,205	\$ -	\$ 11,408,205
Federal grants	639,042	-	639,042
Contribution from CSUSA	675,945	-	675,945
Debt forgiveness	1,438,113	-	1,438,113
Other income	139,373	-	139,373
Total support and revenue	14,300,678	-	14,300,678
Expenses			
Program services			
Regular education	8,371,036	-	8,371,036
Special education	1,387,498	-	1,387,498
Other education	71,801	-	71,801
Supporting services			
Management and general	5,548,963	-	5,548,963
Total expenses	15,379,298	-	15,379,298
Change in net assets	(1,078,620)	-	(1,078,620)
Net assets (deficit), beginning of period	(6,189,110)	-	(6,189,110)
Net assets (deficit), end of period	\$ (7,267,730)	\$ -	\$ (7,267,730)

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

Shreveport Charter Foundation, Inc.
Statement of Functional Expenses

2021

For the Year Ended June 30,

	Program Services				Supporting Services	Total Expenses
	Regular Education	Special Education	Other Education	Total Program Services	Management and General	
Salaries	\$ 3,340,710	\$ 774,053	\$ 20,470	\$ 4,135,233	\$ 539,017	\$ 4,674,250
Benefits	558,263	99,153	2,347	659,763	116,982	776,745
Professional services	49,464	6,804	-	56,268	52,260	108,528
Contracted and vendor services	840,487	115,613	-	956,100	887,215	1,843,315
Professional development	21,193	2,915	-	24,108	-	24,108
Supplies and materials	285,028	39,207	-	324,235	14,479	338,714
Utilities	372,295	51,211	-	423,506	22,181	445,687
Repairs and maintenance	623,455	85,759	-	709,214	40,061	749,275
Insurance	114,970	15,815	-	130,785	6,926	137,711
Interest	-	-	-	-	3,029,848	3,029,848
Depreciation and amortization	1,242,601	170,926	-	1,413,527	74,033	1,487,560
School board fees	331,781	45,638	-	377,419	-	377,419
Travel	14,338	1,972	-	16,310	4,735	21,045
Marketing and recruitment	184,801	25,420	-	210,221	10,927	221,148
Food service	319,143	43,900	-	363,043	79	363,122
Technology	31,970	4,398	-	36,368	9,920	46,288
Office expense	44,349	6,100	-	50,449	13,402	63,851
Student services	15,094	2,076	-	17,170	-	17,170
Other	-	-	-	-	686,596	686,596
Total Functional Expenses	\$ 8,389,942	\$ 1,490,960	\$ 22,817	\$ 9,903,719	\$ 5,508,661	\$ 15,412,380

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

Shreveport Charter Foundation, Inc.
Statement of Functional Expenses

2020

For the Year Ended June 30,

	Program Services				Supporting Services	Total Expenses
	Regular Education	Special Education	Other Education	Total Program Services	Management and General	
Salaries	\$ 3,539,310	\$ 761,548	\$ 22,978	\$ 4,323,836	\$ 486,101	\$ 4,809,937
Benefits	582,428	109,346	1,833	693,607	75,032	768,639
Professional services	826	102	-	928	64,966	65,894
Contracted and vendor services	787,961	97,389	-	885,350	996,599	1,881,949
Professional development	19,127	2,364	-	21,491	-	21,491
Supplies and materials	213,554	28,624	-	242,178	10,245	252,423
Utilities	369,846	45,711	-	415,557	21,871	437,428
Repairs and maintenance	571,098	70,585	-	641,683	33,773	675,456
Insurance	112,485	13,903	-	126,388	6,702	133,090
Interest	-	-	-	-	3,061,466	3,061,466
Depreciation and amortization	1,253,205	154,890	-	1,408,095	74,110	1,482,205
School board fees	198,906	24,584	-	223,490	-	223,490
Travel	31,215	3,858	-	35,073	10,182	45,255
Marketing and recruitment	97,453	12,045	-	109,498	5,667	115,165
Food service	370,605	45,805	228	416,638	1,782	418,420
Technology	87,624	10,830	-	98,454	23,634	122,088
Office expense	39,631	4,898	-	44,529	21,800	66,329
Student services	8,219	1,016	46,762	55,997	-	55,997
Other	87,543	-	-	87,543	655,033	742,576
Total Functional Expenses	\$ 8,371,036	\$ 1,387,498	\$ 71,801	\$ 9,830,335	\$ 5,548,963	\$ 15,379,298

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

Shreveport Charter Foundation, Inc.
Statements of Cash Flows

For the years ended June 30,

2021

2020

Operating Activities

Change in net assets	\$	(904,802)	\$	(1,078,620)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation and amortization		1,487,560		1,482,205
(Increase) decrease in				
Grant and other receivables		14,382		(150,959)
Due from management company		301,226		(70,191)
Prepaid expenses and other current assets		(48,382)		2,045
Deposits		7,720		(8,020)
Increase (decrease) in				
Accounts payable		50,574		(15,935)
Accrued expenses		246,421		(50,736)
Due to other government entities		-		(17,012)
Interest payable		7,395		25,893

Net cash provided by (used in) operating activities		1,162,094		118,670
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Investing Activities

Purchase of property and equipment		(325,459)		(8,910)
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Net cash provided by (used in) investing activities		(325,459)		(8,910)
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Financing Activities

Payments on capital leases		(370,014)		(314,682)
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Net cash provided by (used in) financing activities		(370,014)		(314,682)
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Net increase (decrease) in cash		466,621		(204,922)
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Cash - beginning of period		295,806		500,728
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Cash - end of period	\$	762,427	\$	295,806
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Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$	3,022,453	\$	3,035,573
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The accompanying notes are an integral part of these financial statements.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Shreveport Charter Foundation, Inc. (the Foundation), a Louisiana nonprofit corporation, was formed on February 27, 2012, exclusively for educational purposes. The Foundation has entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the Magnolia School of Excellence (the Charter School) for students in Caddo Parish, Louisiana. The lower campus includes grades kindergarten through fifth grade. The upper campus includes grades six through twelve. The original charter agreement with CPSB dated February 5, 2013 was for an initial term of five years. The charter agreement has been renewed for an additional three years in 2018. The second renewal of the charter contract was approved by the Caddo Parish School Board in 2021 for another three years.

The Foundation is an independent nonprofit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the Foundation is a component unit of CPSB and the Foundation's financial statements are included in the CPSB's basic financial statements as a component unit. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Foundation is included in the reporting entity because it is fiscally dependent on the CPSB for the majority of its revenue, and because exclusion would render the CPSB's financial statements incomplete or misleading.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash consists of demand deposit balances and represents cash available for general operating purposes. The Foundation classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Foundation did not have any cash equivalents at June 30, 2021 and 2020.

Grant and Other Receivables

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

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

Property and Equipment

Acquisitions of property and equipment and betterments of \$750 or more that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the Foundation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation are as follows:

Buildings	20 – 30 Years
Furniture, fixtures and equipment	3 – 10 Years

Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time the Charter agreement is terminated.

Depreciation expense, which includes amortization expense of capital lease assets, incurred for the years ended June 30, 2021 and 2020, was \$1,487,560 and \$1,482,205 respectively.

Compensated Absences

Employees may accrue between 8 and 26 days per year of paid time off depending on length of service and classification. A maximum of 5 days (40 hours) of paid time off can be carried over from year to year. Earned but unused paid time off is eligible for payment upon separation from service up to a maximum of 40 hours. The liability for compensated absences includes salary-related benefits, where applicable.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing Arrangements and Amortization

The Foundation leases the school buildings and substantially all of the furniture, fixtures and equipment utilized by the Charter School under capital leases as described in Note 6. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of the related lease terms or the estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation and amortization expense.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. Some net assets without donor restrictions may be designated by the governing board of the Foundation for specific purposes.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Membership dues, program service fees and payments under various contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, an organization would have recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. Income from membership dues and certain member service fees received in advance are deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statements of financial position.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A significant portion of the Foundation's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

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

Donated Assets

Noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The majority of expenses reported in the financial statements can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function, including depreciation and amortization, leadership salaries and the technology department, have been allocated among program and supporting services classifications based on estimates of time and effort and square footage.

Advertising Costs

The Foundation uses advertising to promote the schools among the population it serves. Advertising costs are charged to expense when incurred. Advertising, which is included in marketing and recruitment on the Statements of Functional Expenses, for the years ended June 30, 2021 and 2020 was approximately \$219,568 and \$113,300, respectively.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Louisiana state income taxes. However income, if any, from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income.

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 10, 2022. See Note 15 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Adopted Accounting Guidance

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This change in accounting principal did not have a material impact on the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. Effective July 1, 2020, the Foundation adopted Topic 606, using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment to net assets recognized upon adoption. Therefore, the 2020 financial statements have not been restated and continue to be reported under the accounting standards in effect for that year. The adoption of this standard did not have a material effect on these financial statements.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY OF FINANCIAL ASSETS

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

June 30,	2021	2020
Cash	\$ 762,427	\$ 295,806
Grant and other receivables	238,169	252,551
Due from management company	-	108,378
Total financial assets available to meet general expenditures within one year	<u>\$ 1,000,596</u>	<u>\$ 656,735</u>

Note 4: GRANT AND OTHER RECEIVABLES

At June 30, 2021 and 2020, grant and other receivables totaled \$238,169 and \$252,551, respectively, and are considered fully collectible.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 5: ACCRUED EXPENSES

<i>June 30,</i>	2021	2020
Payroll and benefits	\$ 699,237	\$ 485,501
Other	56,284	23,599
Total accrued expenses	\$ 755,521	\$ 509,100

Note 6: CAPITAL LEASES

Following is a summary of assets held under capital leases:

<i>June 30,</i>	2021	2020
Real estate and buildings	\$ 28,813,183	\$ 28,813,183
Furniture, fixtures and equipment	1,810,821	1,810,821
Property held under capital leases	30,624,004	30,624,004
Less: accumulated amortization	(9,344,312)	(8,016,153)
Property held under capital lease, net	\$ 21,279,692	\$ 22,607,851

Assets held under capital leases are included in net property and equipment on the Statement of Financial Position. The Foundation had the following capital leases payable:

<i>June 30,</i>	2021	2020
Capital lease payable to Red Apple at Magnolia, LLC for real property in the original amount of \$12,278,567, with a commencement date of July 22, 2013, with an effective interest rate of 10.147%, payable in monthly payments ranging from \$65,386 to \$148,788, including interest, maturing on June 1, 2033.	\$ 11,206,341	\$ 11,543,733
Capital lease payable to Red Apple at Magnolia Upper, LLC for real property in the original amount of \$16,534,616, with a commencement date of August 1, 2016, with an effective interest rate of 10.094%, payable in monthly payments ranging from \$32,635 to \$188,589, including interest, maturing on July 31, 2046.	16,501,981	16,501,981
Capital lease payable to Red Apple at Magnolia Upper, LLC for equipment in the amount of \$1,030,000, dated August 1, 2016, with an effective interest rate of 8.78%, payable in monthly payments ranging from \$8,808 to \$8,993, including interest, maturing July 31, 2036.	884,028	916,649
Total capital leases payable	28,592,350	28,962,363
Less current maturities	(431,506)	(370,013)
Long-term capital leases payable	\$ 28,160,844	\$ 28,592,350

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: CAPITAL LEASES (Continued)

Scheduled annual lease payments for the fiscal years ending June 30, are:

2022	\$	3,435,364
2023		3,483,084
2024		3,526,565
2025		3,569,873
2026		3,618,040
Thereafter		54,887,939
<hr/>		
Total minimum lease payments		72,520,865
Less interest		(43,928,515)
<hr/>		
Net minimum lease payments	\$	28,592,350
<hr/>		

The Foundation's capital leases with Red Apple at Magnolia Upper, LLC dated August 1, 2016 include restrictive covenants that require, among other items, the Foundation to have an annual rent coverage ratio of at least 1.15 to 1.00 each quarter and unrestricted immediately available funds on hand each June 30 in an amount at least equal to the Days Cash on Hand Requirement for the applicable period.

The Foundation is required to calculate the annual rent coverage ratio quarterly based on a rolling twelve month period. Annual rent coverage ratio is determined by dividing income available for annual rent by maximum annual rent. Income available for annual rent is the excess of charter revenues over operating expenses as determined from audited financial statements provided that gains and losses on investments will not be recognized in the calculation of income available for annual rent. Maximum annual rent means the highest rent due under the lease for any current or succeeding fiscal year or other specified period. At June 30, 2021, the Foundation did not meet the annual rent coverage ratio covenant. Under the terms of the capital lease, the failure to meet the annual rent coverage ratio may be considered an event of default. The investors waived the breach of the annual rent coverage ratio covenant for the fiscal year ended June 30, 2021. The calculation as of June 30, 2021 is included below.

Annual Rent Coverage Ratio Covenant
As of June 30, 2021

Charter revenues	\$	13,117,905
Less: Internal Funds Revenue		360
Operating Expenses		(14,022,707)
Add: Internal Funds Expense		62,773
<hr/>		
Change in Unrestricted Net Assets		(841,669)
Plus:		
Interest		3,029,848
Depreciation and Amortization		1,487,560
<hr/>		
Income Available for Annual Rent	\$	3,675,739
<hr/>		
Maximum Annual Rent	\$	3,661,989
Annual Rent Coverage Ratio		1.00
Required Rent Coverage Ratio		1.15

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: CAPITAL LEASES (Continued)

The Days Cash on Hand Requirement for the calculation date of June 30, 2021, is an amount equal to at least fifty-five (55) days of Average Daily Expenses. Average Daily Expenses include operating expenses, long term debt service requirements, and payments of base rent under the lease and exclude depreciation and other non-cash items and deferred management fees for the twelve month period. At June 30, 2021 the Foundation did not meet the Days Cash on Hand Requirement. Under the terms of the capital lease, the failure to maintain unrestricted immediately available funds in an amount equal to at least fifty-five (55) days of average daily expenses may constitute an event of default. The investors waived the breach of the liquidity covenant for the fiscal year ended June 30, 2021. The calculation as of June 30, 2021 is included below.

Liquidity Covenant - Computation of Days Cash on Hand
As of June 30, 2021

Annual Total Expenses	\$ 14,022,707
Less: Internal Funds Expense	(62,773)
Less: Depreciation	(1,487,560)
Add: Principal Payments	370,014
Adjusted Annual Total Expenses	12,842,388
Average Daily Expenses (based on 360 day year)	35,673
Days of Cash Required	55
Daily Cash Required	1,962,015
Cash Available as of June 30, 2021	762,427
Less: Internal Fund Cash	(27,227)
Adjusted Cash Available as of June 30, 2021	\$ 735,200
Days of Cash on Hand	21

Property with a net book value of \$21,279,692 as of June 30, 2021 held under capital leases with Red Apple at Magnolia, LLC and Red Apple at Magnolia Upper, LLC has been pledged as security on Red Apple at Magnolia Upper, LLC (Landlord) financing.

Note 7: NET ASSETS (DEFICIT)

The Foundation had a decrease in net assets of approximately \$900 thousand for the year ended June 30, 2021, as well as a deficit of approximately \$8.0 million. The main driver of the overall deficit of the Foundation is the accumulated depreciation of the two facilities recorded as assets held under capital leases in the financial statements, which totals approximately \$9.3 million. The Foundation has the support of Charter Schools USA as their management company. A portion of management fees for the current fiscal year totaling approximately \$1.4 million were waived by the management company. This support will continue until the school is operating independently and is financially stable.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 8: RISK MANAGEMENT AND LITIGATION

The Foundation is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. In the opinion of management, insurance coverage is adequate to cover any material anticipated losses.

There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2021 and 2020.

Note 9: CONCENTRATIONS AND CREDIT RISK

The Foundation received approximately 88% and 80% of its total revenues from the State of Louisiana, through its charter school contract with CPSB for the years ended June 30, 2021 and 2020 respectively.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. At June 30, 2021 and 2020, the Foundation had approximately \$465,000 and \$47,000, respectively, in uninsured deposits. Management believes the risk associated with these excess deposits is minimal.

Note 10: COMMITMENTS

Management agreement

The Foundation entered into a management agreement on February 5, 2013, with Charter Schools USA at Shreveport, LLC (CSUSA), a Florida limited liability company, to develop, manage, staff and operate the Charter School. The term of the agreement was for an initial five year term consistent with the term of the charter contract with CPSB. The agreement was renewed for two additional three year terms consistent with the term of the charter contract renewal. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees for its services. The cost reimbursements and management fees are not to exceed 15% of revenues which shall be set forth within the approved annual budget or any amendments thereto.

For the years ended June 30, 2021 and 2020, cost reimbursements and management fee expense was \$1,934,756 and \$1,881,949, respectively. Fees totaling \$1,389,673 and \$1,438,113 were forgiven for fiscal years ended June 30, 2021 and 2020, reducing the amount of compensation payable to CSUSA to \$545,083 and \$443,836, respectively.

During the years ended June 30, 2021 and 2020, CSUSA made a cash contribution in the amount of \$493,658 and \$675,945, respectively, to the Foundation for general support activities.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 11: COMMITMENTS (Continued)

The Foundation owed CSUSA \$674,115 related to operation and trade payables. These amounts have been netted against amounts owed to the Foundation from CSUSA of \$481,267. The net amount of \$192,848 is reflected in the statement of financial position as due to the management company.

Note 12: EMPLOYEE BENEFIT PLAN

The Foundation offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). Employees are allowed to contribute up to 100% of their salary, subject to certain limitations. Charter Schools USA will match 25% up to the first 6% that the employee elects. For the years ended June 30, 2021 and 2020, the Foundation's contributions to the plan totaled \$20,679 and \$19,276, respectively.

Note 13: CONTINGENCIES

The Foundation, as charter operator, is subject to Annual Academic Audits by Caddo Parish School Board. Failure to follow through with the recommendations and directives of the yearly audit will be grounds for terminations and/or non-renewal of the charter contract.

Note 14: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 15: SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred after June 30, 2021 through March 10, 2022, the date the Foundation's financial statements were available to be issued.

As discussed in Note 6 the Foundation is required to have an annual rent coverage ratio of at least 1.15 to 1.00 each quarter. For the quarter ended September 30, 2021, the annual rent coverage ratio was not met. A waiver was received from the Trustee.

Supplementary Information

**Shreveport Charter Foundation, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>United States Department of Agriculture</u>				
Passed through Louisiana Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	N/A	\$ -	\$ 423,741
Total Child Nutrition Cluster			-	423,741
<hr/>				
Total United States Department of Agriculture			-	423,741
<hr/>				
<u>United States Department of Education</u>				
Passed through Caddo Parish School Board				
Title I Grants to Local Educational Agencies	84.010	N/A	-	399,148
<hr/>				
Total United States Department of Education			-	399,148
<hr/>				
Total expenditures of federal awards			\$ -	\$ 822,889

Shreveport Charter Foundation, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of Shreveport Charter Foundation, Inc. (the Foundation), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not represent the financial position of the Foundation.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended June 30, 2021, the Foundation did not elect to use this rate.

Note 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

Note 4: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The Foundation did not have any federal loans or loan guarantees outstanding during the year ended June 30, 2021.

Note 5: SUBRECIPIENTS

During the year ended June 30, 2021, the Foundation had no subrecipients.

Note 6: NONCASH ASSISTANCE AND OTHER

The Foundation did not receive any noncash assistance or federally funded insurance during the year ended June 30, 2021.

Shreveport Charter Foundation, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Note 7: CONTINGENCIES

Grant monies received and disbursed by the School are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Foundation does not believe that such disallowance, if any, would have a material effect on the financial position of the Foundation.

Note 8: FEDERAL PASS-THROUGH FUNDS

The Foundation is also the subrecipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.

Shreveport Charter Foundation, Inc.
Schedule of Compensation Paid to the Board of Trustees
For the year ended June 30, 2021

There was no compensation paid to members of the Board of Trustees for the year ended June 30, 2021.

Shreveport Charter Foundation, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2021

Agency Head Name: Dr. Melva Turner-Williams, President of the Board of Directors

Purpose	Amount
Reimbursements	\$ -

There were no payments to the agency head for the year ended June 30, 2021.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings, and questioned costs as items 2021-003 and 2021-007 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2021-002 and 2021-004 to be significant deficiencies.

Compliance and Other Matters

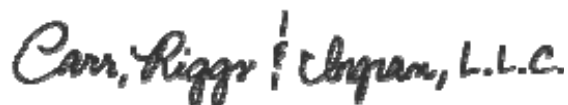
As part of obtaining reasonable assurance about whether Shreveport Charter Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-005.

Shreveport Charter Foundation, Inc.'s Response to Findings

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

Purpose of This Report

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



CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

March 10, 2022



Carr, Riggs & Ingram, LLC

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

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

Report on Compliance for Each Major Federal Program

We have audited Shreveport Charter Foundation, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Shreveport Charter Foundation, Inc.'s major federal programs for the year ended June 30, 2021. Shreveport Charter Foundation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying schedule of findings and questioned costs, the Shreveport Charter Foundation, Inc. did not comply with requirements regarding Assistance listing No. 84.010 Title I Grants to Local Educational Agencies as described in finding numbers 2021-006 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles and 2021-007 for Special Tests. Compliance with such requirements is necessary, in our opinion, for the Shreveport Charter Foundation, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Shreveport Charter Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance listing No. 84.010 Title I Grants to Local Educational Agencies for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-006 and 2021-007 to be material weaknesses.

Shreveport Charter Foundation, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shreveport Charter Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
March 10, 2022

**Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I – Summary Of Auditors’ Results

Financial Statements

- | | | |
|----|--|------------|
| 1. | Type of auditors’ report issued | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| | c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|----|---|------------|
| 1. | Type of auditors’ report issued on compliance for major programs | Qualified |
| 2. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |

4. Identification of major programs

Assistance Listing Number	Federal Program
84.010	Title I Grants to Local Educational Agencies

- | | | |
|----|---|-----------|
| 5. | Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. | Auditee qualified as low-risk under 2CFR 200.520 | No |

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

Current Year Findings and Responses

Reference # and title: 2021-001 Background Checks (Non-compliance)

Year of Origination – June 30, 2017

Criteria or Specific Requirement – Louisiana Revised Statute 17:3991 requires charter school instructional staff to be subject to all provisions of state law relative to background checks applicable to the employment of public school personnel.

Condition – Evidence that background checks were performed was not provided for four of the twenty-five teachers selected for testing.

Cause – The Foundation does not have policies and procedures in place to ensure background checks are performed for all instructional staff and are properly maintained on file.

Effect – The Foundation may not be in compliance with Louisiana Revised Statute 17:3991 Charter Contents, Renewal, and Revocation and Charter School Authorities and Limitations.

Recommendation – We recommend that the Foundation implement policies and procedures to ensure background checks are performed for all instructional staff prior to offer of employment and that evidence of the background checks be maintained on file.

Reference # and title: 2021-002 Federal Award Reimbursements (Significant Deficiency)

Year of Origination – June 30, 2020

Criteria or Specific Requirement – Receivables related to reimbursement requests should be recorded and monitored to ensure they are funded timely, in the proper amounts, and recorded in the appropriate accounts.

Condition – During testing of Title I revenue it was noted there is no process in place to properly record all requests and receivables related to reimbursements. Requests for funds are not provided to the Accountant at the time the request is submitted so a receivable can be recorded. The Foundation did not recognize two Title I Request for Funds totaling \$86,653. These amounts were reimbursed by the pass through agency, but because the receivables were not recorded and monitored, the transfers were incorrectly recorded to MFP revenue instead of Title I federal grants.

Cause – There are no procedures in place to properly record Title I receivables and monitor reimbursement requests to ensure they are properly funded in a timely manner. There is also no communication between the schools and the accounting department related to the reimbursement requests to facilitate proper recording and tracking.

Effect – The Foundation may not be aware that reimbursement requests are not funded and will not be able to follow up with the pass through agency to ensure any issues are resolved. As a result

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

the Foundation is not utilizing grant funds which have been awarded to the entity. In addition, the reimbursements may be received by the accounting department and miscoded because they are unaware of the nature of the electronic transfer received.

Recommendation – We recommend that the School Operations Administrator provide a copy of each reimbursement request and all supporting schedules and documentation to the Accountant when the request is submitted. At that time, a receivable for the amount of the request should be recorded. The receivable should be monitored to ensure the request is funded timely and in the proper amount. When the request is funded, the Accountant should contact the Administrator to inform them that the payment has been received. If the request is not funded within a reasonable period of time, the Accountant should inform the Administrator so that they can follow up and resolve any issues to ensure the request is funded.

Reference # and title: 2021-003 Corrections to the Financial Statements (Material Weakness)

Year of Origination – June 30, 2021

Criteria or Specific Requirement – Account reconciliations and matching of revenues and expenses should be performed in a timely manner for proper management, oversight of accounting function, and cash flows of the organization.

Condition – In performing the audit of Shreveport Charter Foundation, Inc., CRI recorded a significant number of journal entries having a material effect on the financial statements for the period under audit.

Cause – Amounts recorded did not properly reflect activity during the period in the appropriate general ledger accounts and reconcile to supporting documentation.

Effect – Transactions and balances were not properly recorded.

Recommendation – We recommend management implement procedures to ensure all transactions related to the reporting period be properly captured and included in the accrual basis financial statements.

Reference # and title: 2021-004 Schedule of Expenditures of Federal Awards (Significant Deficiency)

Year of Origination – June 30, 2021

Criteria or Specific Requirement – The schedule of expenditures of federal awards (“SEFA”) should be prepared by management in accordance with the 2 CFR 200.510(b) and the Uniform Guidance. The SEFA should be an accurate representation of federal awards received.

Condition – During the initial testing of revenue, it was noted that the federal revenue was below the threshold of \$750,000 which would require the Foundation to have a Single Audit in accordance with the Uniform Guidance. During test work, we discovered a material amount of Title I funds (as

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

explained in Finding 2021-002 above) had been miscoded to MFP revenue. An audit adjustment was necessary since management did not properly classify the federal award reimbursements causing the expenditures of federal awards to exceed the threshold of \$750,000. It was then determined that a single audit would be necessary for the year ended June 30, 2021.

Cause – There are no procedures in place to properly record federal awards and monitor reimbursement requests to ensure they are properly recorded and funded in a timely manner. There is also no communication between the schools and the accounting department related to the reimbursement requests to facilitate proper recording and tracking. Also, management did not prepare a SEFA for the year ended June 30, 2021 to accurately reflect the amounts.

Effect – Federal awards were initially understated for the year. Also, management did not prepare a schedule of expenditures of federal awards for the year ended June 30, 2021. Management did not realize a Single Audit was necessary until after the audit commenced resulting in an amended engagement letter and additional time to perform the Single Audit causing the audit to be submitted late to the Legislative Auditor.

Recommendation – See recommendation in Finding 2021-002. In addition, the Schedule of Expenditures of Federal Awards should be prepared by the Foundation. Necessary steps should be taken to ensure that it correctly reflects the grants awards, amounts, assistance numbers, and other required information. In addition, someone other than the preparer should review the schedule for errors.

Reference # and title: 2021-005 Late Submission of Audit Report to Legislative Auditor (Noncompliance)

Year of Origination – June 30, 2021

Criteria or Specific Requirement: R.S. 24:513 A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Foundation's audit report should be submitted to the Louisiana Legislative Auditor by December 31 each year.

Condition: The Foundation's audit report for the fiscal year ending June 30, 2021, was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i). The Foundation requested an extension from the Legislative Auditor which was granted.

Cause: The Foundation needed additional time due to an accounting system conversion. Also, the Foundation required a Single Audit in the current year and additional time was needed.

Effect: The auditor was unable to submit the Foundation's report within the six month deadline as required by R.S. 24:513 A (5)(a)(i).

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Recommendation: We recommend the Foundation implement appropriate accounting policies and close procedures ensure timelines for filing are met.

Section III – Federal Awards Findings And Questioned Costs

Reference # and title: 2021-006 Controls and Compliance over Federal Programs (Material Weakness)

Federal Grantor: Department of Education
Pass Through Entity: Louisiana Department of Education
Assistance Listing Number 84.010
Program: Title I Grants to Local Educational Agencies
Federal Award Number: N/A
Award Year: 7/1/2020 to 9/30/2021
Pass Through Entity Number: N/A
Year of Origination – June 30, 2021

Entity-Wide or Program/Department Specific: Title I

Criteria or Specific Requirement: The Foundation has not established and maintained effective internal controls over federal awards in accordance with 2 CFR 200.303(a). Proper documentation is not maintained on file to support removal of a student from the regulatory adjusted cohort based on the exit code. Therefore, ESEA 8101(25)(B), which states that LEAs shall require documentation to confirm that the student removed from the cohort has transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased, is not being monitored.

Condition: Client was unable to provide support for two of the 4 students selected. On one that support was provided, there was a discrepancy with the grade the student was in. School report showed 9th grade but support showed 8th. Client unable to provide clarification of student's grade at time of withdrawal.

Cause: Policies and procedures are not in place to properly track all students leaving schools.

Effect: Students could be improperly removed according to annual report card special testing

Recommendation: CRI recommends policies and procedures to be written and implemented that will track all students that leave the school. This will account for any required documentation that is required according to the compliance supplement.

**Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Reference # and title: 2021-007 Controls and Compliance over Federal Programs (Material Weakness)

Federal Grantor: Department of Education
Pass Through Entity: Louisiana Department of Education
Assistance Listing Number 84.010
Program: Title I Grants to Local Educational Agencies
Federal Award Number: N/A
Award Year: 7/1/2020 to 9/30/2021
Pass Through Entity Number: N/A
Year of Origination – June 30, 2021

Entity-Wide or Program/Department Specific: Title I

Questioned Costs: \$207,854

Criteria or Specific Requirement: The Foundation has not established and maintained effective internal controls over federal awards in accordance with 2 CFR 200.303(a). Proper documentation is not maintained that supports payroll amounts paid to employees to amounts requested for reimbursement for Title I. Therefore, 2 CFR 200.403(g), which requires that direct costs charged to programs be adequately documented, is not being maintained.

Condition: Client was unable to provide the Personnel Action Form (PAF) for the 5 employees that were paid with Title I funds. Due to this, CRI was unable to obtain employees' current pay rates in order to trace to ADP payroll registers or determine if paid in accordance with the Uniform Guidance.

Cause: Policies and procedures are not in place to properly track current employees' rate of pay. Forms are not properly filled out or maintained in order to determine current pay rates or what program the employee works in.

Effect: Title I funds could be paid to ineligible employees.

Recommendation: CRI recommends the Foundation maintain PAF forms for all employees with current pay information detailed and current positions.

Section IV – Prior Year Findings And Questioned Costs

2020 – 001 MFP Revenue

Condition – During testing of Minimum Foundation Payment (MFP) revenue it was noted that the Foundation was underpaid \$118,831 for the 2020 fiscal year.

**Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Status – See Current Year Finding 2021-002 as it relates to MFP revenue and tracking.

2020 – 002 Title I Reimbursement Requests

Condition – During testing of Title I revenue it was noted that there is not a process in place to properly record receivables related to reimbursement requests. Requests for funds are not provided to the Accountant at the time the request is submitted so a receivable can be recorded. The Foundation did not recognize that a Title I Request for Funds in the amount of \$31,370 was not funded by the pass through agency because the receivable was not recorded and monitored.

Status – See Current Year Finding 2021-002 as it relates to Title I revenue and tracking.

2020 - 003 Background Checks

Condition – Evidence of a background check being performed was not provided for one of the twenty-five teachers selected for testing.

Status – See Current Year Finding 2021-001.

Shreveport Charter FOUNDATION

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Corrective Action Plan For Findings and Questioned Costs

For the Year Ended June 30, 2021

Reference # and title: 2021-001 Background Checks

Year of Origination – June 30, 2021

Condition – Evidence that background checks were performed was not provided for four of the twenty-five teachers selected for testing.

Views of responsible officials and corrective action plan – Management will review current policies and procedures regarding employee background checks with School Operations Administrator to reiterate that these are required to be completed and to ensure that these results are properly maintained and secured.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Dr. Mary Nash-Robinson, School Principal – Magnolia -Upper Campus; Kim Derrick, School Principal – Magnolia – Lower Campus

Reference # and title: 2021-002 Federal Award Reimbursements

Year of Origination – June 30, 2020

Condition – During testing of Title I revenue it was noted that there is not a process in place to properly record all request and receivables related to reimbursements. Requests for funds are not provided to the Accountant at the time the request is submitted so a receivable can be recorded. The Foundation did not recognize two Title I Request for Funds totaling \$86,653. These amounts were reimbursed by the pass through agency, but because the receivables were not recorded and monitored, the transfers were incorrectly recorded to MFP revenue instead of Title I federal grants.

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Views of responsible officials and corrective action plan – Management will review our grant procedures with the School Operations Administrator regarding grant reimbursements. We have now included our State Grants Coordinator in the reimbursement process to ensure that the appropriate schedules and documentation is provided to the school accountant so that each reimbursement request is recorded as a receivable.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Kim Derrick, School Principal at Magnolia – Lower Campus

Reference # and title: 2021-003 Corrections to the Financial Statements

Year of Origination – June 30, 2021

Condition – In performing the audit of Shreveport Charter Foundation, Inc., CRI recorded a significant number of journal entries having a material effect on the financial statements for the period under audit.

Views of responsible officials and corrective action plan – The corrective action plan includes reviews of all journal entries, support, and resulting financial impacts upon approval/posting in NetSuite. Verification of the information being reconciled will be conducted by the accounting manager who oversees the school’s accountant. During the review process, the accounting manager will ensure that all entries are documented with accurate support that is clear or has added explanation of why it is needed. When verifying revenues and expenses the accountant needs to make sure all balance sheet accounts are fully reconciled noting all pertinent information. All communications to and from the foundation will be saved to ensure we have appropriate backup and support for our questions about revenue receipts. We have established a process to make all corrections in the current month being reviewed and unresolved items will not remain outstanding for more than 30 days. Follow-up with necessary departments or sources to obtain information to reconcile the accounts, within 3 days of initial request being sent. Accurate review of all school financials will be conducted each close, if anything needs to be corrected it will be done in the current month of review to ensure accurate and timely financial information.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Nadia Butler, Assistant Controller

Shreveport Charter FOUNDATION

Reference # and title: 2021-004 Schedule of Expenditures of Federal Awards

Year of Origination – June 30, 2021

Condition – During testing of revenue, it was noted that the federal revenue was below the threshold of \$750,000 which would require the Foundation to have a Single Audit in accordance with the Uniform Guidance. During test work, Title I funds (as explained in Finding 2021-002 above) were miscoded to MFP revenue. An audit adjustment was necessary since management did not properly classify the federal award reimbursements causing the expenditures of federal awards to exceed the threshold of \$750,000. It was then determined by the audit team that a single audit would be necessary for the year ended June 30, 2021.

Views of responsible officials and corrective action plan – The corrective action plan is to add the SEFA to our year-end checklist for all schools as an item we prepare and submit along with the Trial Balances. We have requested the Parish provide remittance advices with all wires to the schools so that we can keep track of all revenues. Once this is established, we can verify the entries being booked with the files we receive from the Parish as part of our review process. This will ensure that MFP and Federal revenues are tracked properly and timely.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Nadia Butler, Assistant Controller

Reference # and title: 2021-005 Late Submission of Audit Report to Legislative Auditor

Year of Origination – June 30, 2021

Condition: The Foundation's audit report for the fiscal year ending June 30, 2021, was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i). The Foundation requested an extension from the Legislative Auditor which was granted.

Views of responsible officials and corrective action plan: The school went through an accounting system implementation in the 2020-21 school year. As a result, the audit process took additional time. We do not anticipate any issue with timeliness for the June 30, 2022 school year audit. We will work with the audit firm Carr, Riggs & Ingram, LLC to establish timelines to provide information to ensure that the audit is filed timely.

Anticipated completion date: December 31, 2022

Person responsible for corrective actions: Nadia Butler, Assistant Controller

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Shreveport Charter FOUNDATION

Section III – Federal Awards Findings And Questioned Costs

Reference # and title: 2021-006 Controls over Federal Programs

Federal Grantor: Department of Education

Pass Through Entity: Louisiana Department of Education

CFDA # 84.010

Program: Title I Grants to Local Educational Agencies

Federal Award Number: N/A

Award Year: 7/1/2020 to 9/30/2021

Pass Through Entity Number: N/A

Year of Origination – June 30, 2021

Condition: Client was unable to provide support for two of the 4 students selected. On one, that support was provided, there was a discrepancy with the grade the student was in. School report showed 9th grade but support showed 8th. Client unable to provide clarification of student's grade at time of withdrawal.

Views of responsible officials and corrective action plan – Management will review our policies and procedures regarding required documentation for students who are leaving/withdrawing from their school. Additionally, we will discuss the importance of accuracy in recording student information and the need of maintaining student records.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Dr. Mary Nash-Robinson, Principal, Magnolia Upper Campus

Reference # and title: 2021-007 Controls and Compliance over Federal Programs

Federal Grantor: Department of Education

Pass Through Entity: Louisiana Department of Education

CFDA # 84.010

Program: Title I Grants to Local Educational Agencies

Federal Award Number: N/A

Award Year: 7/1/2020 to 9/30/2021

Pass Through Entity Number: N/A

Year of Origination – June 30, 2021

Condition: Client was unable to provide The Personnel Action Form (PAF) for the 5 employees that were paid with Title I funds. Due to this, CRI was unable to determine if all positions were in fact approved by the principal or if the employees Title I pay was paid accurately recorded through ADP and in accordance with the Uniform Guidance.

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Views of responsible officials and corrective action plan: Management will review our personnel policy and procedures with our School Operations Administrator and school principal to ensure that documentation regarding annual employee compensation is produced and is properly maintained in their personnel records.

Anticipated completion date: June 30, 2022

Person responsible for corrective actions: Dr. Mary Nash-Robinson, Principal, Magnolia Upper Campus; Kim Derrick, Principal, Magnolia Lower Campus