

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2017

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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June 30, 2017

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a non-profit organization) (the School) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 **LOUISIANA KEY ACADEMY** as of June 30, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses and Schedule of Compensation, Benefits and Other Payments to Agency Head on pages 12 to 14, 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, included on pages 27 through 35, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). We have applied limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon-Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

(See Independent Auditors' Report)

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 341,133	\$ 376,185
Receivables:		
Grants	14,671	39,275
Unconditional promises to give	325,000	-
Other	5,331	7,789
Prepaid and other	<u>44,585</u>	<u>16,339</u>
Total current assets	730,720	439,588
PROPERTY, net	<u>2,459,116</u>	<u>2,224,761</u>
Total assets	<u>\$ 3,189,836</u>	<u>\$ 2,664,349</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$ 41,268	\$ 29,842
Accrued expenses	42,082	48,126
Contract payable	-	591,376
Lines of credit	<u>1,222,522</u>	<u>897,522</u>
Total current liabilities	<u>1,305,872</u>	<u>1,566,866</u>

NET ASSETS

Unrestricted	1,541,464	1,060,986
Temporarily restricted	<u>342,500</u>	<u>36,497</u>
Total net assets	<u>1,883,964</u>	<u>1,097,483</u>
Total liabilities and net assets	<u>\$ 3,189,836</u>	<u>\$ 2,664,349</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2017 and 2016

(See Independent Auditors' Report)

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT						
Grants:						
MFP	\$ 3,498,527	\$ -	\$ 3,498,527	\$ 2,620,877	\$ -	\$ 2,620,877
Federal grants	166,783	-	166,783	145,140	-	145,140
State and local grants	130,700	-	130,700	91,788	-	91,788
Contributions and event	125,161	687,500	812,661	49,654	332,638	382,292
Food and other	53,167	-	53,167	50,993	-	50,993
Total revenues and support	3,974,338	687,500	4,661,838	2,958,452	332,638	3,291,090
Changes in net asset restrictions:						
Released from restrictions	381,497	(381,497)	-	430,813	(430,813)	-
Total revenues, support and net assets released from restrictions	4,355,835	306,003	4,661,838	3,389,265	(98,175)	3,291,090
EXPENSES						
Instructional	2,385,912	-	2,385,912	1,888,979	-	1,888,979
Operations and maintenance	519,513	-	519,513	374,454	-	374,454
Food services	150,584	-	150,584	110,371	-	110,371
General and administrative	819,348	-	819,348	646,091	-	646,091
Total expenses	3,875,357	-	3,875,357	3,019,895	-	3,019,895
Change in net assets	480,478	306,003	786,481	369,370	(98,175)	271,195
NET ASSETS						
Beginning of year	1,060,986	36,497	1,097,483	691,616	134,672	826,288
End of year	\$ 1,541,464	\$ 342,500	\$ 1,883,964	\$ 1,060,986	\$ 36,497	\$ 1,097,483

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2017 and 2016

(See Independent Auditors' Report)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 786,481	\$ 271,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	164,087	112,070
Change in operating assets and liabilities:		
Receivables	(297,938)	(28,990)
Prepaid and other	(28,246)	24,392
Accounts payable and accrued liabilities	<u>5,382</u>	<u>(22,186)</u>
Net cash provided by operating activities	<u>629,766</u>	<u>356,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(55,364)	(7,905)
Payments on construction in progress	<u>(934,454)</u>	<u>(276,450)</u>
Net cash used by investing activities	<u>(989,818)</u>	<u>(284,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	575,000	25,000
Repayments of line of credit	<u>(250,000)</u>	<u>(102,093)</u>
Net cash provided (used) by financing activities	<u>325,000</u>	<u>(77,093)</u>
Net decrease in cash	(35,052)	(4,967)
CASH		
Beginning of year	<u>376,185</u>	<u>381,152</u>
End of year	<u>\$ 341,133</u>	<u>\$ 376,185</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 38,582</u>	<u>\$ 25,189</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Louisiana Key Academy (the School) was incorporated on June 18, 2012, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the Louisiana Department of Education as a Type 2 charter school with a contract term from July 1, 2013 through June 30, 2017, and may be extended for a maximum initial term of five years, contingent upon the results of the School's operations and compliance with regulatory and contractual requirements after the completion of the third year of operation. The contract was extended for a one-year term in January 2017 and expires on June 30, 2018. The School is a public, tuition free, primary charter school for dyslexic students in first through fourth grade, and increased to the fifth grade for the 2017-2018 school year.

Financial statement presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are for general use and not subjected to restriction.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintain the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2017 or 2016.

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

Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

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

Private sector funding consists of donations from private foundations and individuals. Contributions are recognized at estimated fair value when the donor makes a pledge to give that is, in substance, an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met. A promise to give that calls for specific outcomes to be achieved is treated as a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of donor restrictions.

Fair value financial instruments

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

Cash

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

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. The School had no receivables outstanding for longer than 90 days June 30, 2017 and 2016, respectively. Unconditional promises to give are recorded at present value.

Property

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Personal time off

The School's policy states that full-time regular, salaried employees with at least one month of service are awarded the benefit of personal time off (PTO). PTO may be carried forward from year to year, not to exceed annual carry over limitations. Upon each employee's anniversary date, PTO hours in excess of annual carryover limitations are paid. PTO is awarded as follows:

<u>Employee Service Lives</u>	PTO Days Per Year	
	Instructional Personnel	Administrative and Program Coordinators
One month but less than one year	9	18
One year but less than five years	12	21
Five years or more	14	24
Annual carryover limit	15	24

A PTO liability of \$9,801 and \$20,575 has been recorded at June 30, 2017 and 2016, respectively.

Tax-exempt status

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

Advertising

Advertising expenses of \$325 were expensed as incurred during 2016. No advertising expenses were incurred in 2017.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

(continued)

NOTE 2 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2017 and 2016 were as follows:

	Estimated Service Lives	2017	2016
Leasehold improvements	15	\$ 2,778,972	\$ 1,577,318
Playground equipment	10	83,278	34,018
Equipment	5 - 7 years	28,457	22,353
Construction in progress	-	-	867,826
		2,890,707	2,501,515
Less accumulated depreciation		(431,591)	(276,754)
Property and equipment, net		\$ 2,459,116	\$ 2,224,761

Depreciation expense was \$154,837 and \$112,070 for the years ended June 30, 2017 and 2016, respectively.

NOTE 3 - LINES OF CREDIT

The School has a revolving line of credit with a borrowing limit of \$900,000 and \$1,100,000 as of June 30, 2017 and 2016, respectively. Interest is payable monthly at a rate of LIBOR plus 2.25%, which was 3.419% and 2.751% at June 30, 2017 and 2016, respectively. The outstanding balance on the line of credit was \$772,522 and \$897,522 at June 30, 2017 and 2016, respectively. This debt is secured by marketable securities held in the name of a local supporter.

The School has an additional revolving line of credit with a borrowing limit of \$575,000 as of June 30, 2017. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal, plus 1.00%, which was 5.25% at June 30, 2017. The outstanding balance on the line of credit was \$450,000 at June 30, 2017 and expires in October 2018. This debt is secured by certificates of deposit held in the name of local supporters at the financial institution.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

During 2017 and 2016, changes in temporarily restricted net assets were as follows:

	June 30, 2016	Increases	Decreases	June 30, 2017
Technology Program	\$ 32,310	\$ -	\$ 32,310	\$ -
Capital Campaign - Renovations	4,187	675,000	349,187	330,000
STEM	-	12,500	-	12,500
	\$ 36,497	\$ 687,500	\$ 381,497	\$ 342,500

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	June 30, 2015	Increases	Decreases	June 30, 2016
Walton Foundation Grant	\$ 108,672	\$ -	\$ 108,672	\$ -
Technology Program	26,000	52,000	45,690	32,310
Capital Campaign - Renovations	-	280,638	276,451	4,187
	<u>\$ 134,672</u>	<u>\$ 332,638</u>	<u>\$ 430,813</u>	<u>\$ 36,497</u>

NOTE 5 - CONCENTRATIONS

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

	Revenue	
	2017	2016
State and local grants	78%	83%
Contributions	17%	11%
Federal grants	4%	4%
Other	1%	2%
Total	<u>100%</u>	<u>100%</u>

NOTE 6 - COMMITMENTS

Building Lease

The School has entered into a lease agreement for school space expiring July 1, 2023. The annual rental rate is \$4 per square foot with increase of \$0.50 per square foot each August. Lease payments are based on 26,809 square feet of occupancy of the premises. Additionally, the rental payment each month will include \$3,220 of shared expenses for maintenance, taxes and insurance. Rental expense under the lease for 2017 and 2016 was \$107,236 and \$66,636 annually. Square feet of occupancy increased in July 2016 to 26,809 from the previous 11,340 square feet occupied.

Technology and Technology Service Agreement

In May of 2013, the School entered into a service agreement related to servicing of its IT equipment and network. The lease term ended July 31, 2015 and was extended for an additional 24 months. The service agreement was again extended for twelve months effective August 1, 2017. The expense relating to this IT service agreement was approximately \$51,600 and \$48,900 for 2017 and 2016, respectively.

NOTE 6 - COMMITMENTS (CONTINUED)

The future operating lease and service agreement commitments are as follows:

Year	Building Lease	IT Servicing	Total
2018	\$ 119,523	\$ 66,800	\$ 186,323
2019	132,928	11,700	144,628
2020	146,332	-	146,332
2021	159,737	-	159,737
2022-2023	347,400	-	347,400
Total	<u>\$ 905,920</u>	<u>\$ 78,500</u>	<u>\$ 984,420</u>

Suits and Claims

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

NOTE 7 - PENSION PLAN

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$18,000 annually for calendar year 2017. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable. The School makes contributions to the Plan for employees with a written employment contract and in the amount stipulated by the contract, which is in accordance with the plan document. Contributions by the School totaled \$66,826 and \$48,710 for 2017 and 2016, respectively.

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

NOTE 8 - FUND RAISING INCOME AND EXPENSES

The funds raised by the School's gala are included in operations. The expenses attributable to the annual gala was \$38,481 for 2016. There were no fundraising activities for 2017.

NOTE 9 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 29, 2017, which was the date the financial statements were available to be issued.

In January 2018, the Board of Elementary and Secondary Education (BESE) will perform a review of the School to determine whether to extend its charter contract. BESE is the state organization that issues Type 2 charters and monitors such schools. The original charter contract was for four years and was extended for one year in January 2017 to cover the 2017-2018 school year. The original charter contract will terminate on June 30, 2018, unless extended by BESE.

SUPPLEMENTARY INFORMATION

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Function				Totals
	Instructional	Operations and Maintenance	Food Services	General and Administrative	
Salaries and wages	\$ 1,772,291	\$ -	\$ -	\$ 340,490	\$ 2,112,781
Payroll taxes	118,835	-	-	44,613	163,448
Retirement contributions	48,586	-	-	18,240	66,826
Insurance	228,196	-	-	128,712	356,908
Professional services	28,178	4,450	-	158,244	190,872
Materials and supplies	106,220	13,638	-	44,610	164,468
Rent	-	164,087	-	-	164,087
Depreciation	-	154,837	-	-	154,837
Food and beverage	-	-	150,584	-	150,584
Repairs and maintenance	-	75,756	-	-	75,756
Technology	-	59,932	-	2,204	62,136
Utilities	-	46,813	-	11,828	58,641
Interest	-	-	-	46,938	46,938
Nurse and psychologist	38,582	-	-	-	38,582
Professional development	37,364	-	-	-	37,364
Dues and subscriptions	-	-	-	9,994	9,994
Advertising	-	-	-	8,747	8,747
EBRPS administrative fee	3,122	-	-	-	3,122
Other	4,538	-	-	4,728	9,266
Total expenses	<u>\$ 2,385,912</u>	<u>\$ 519,513</u>	<u>\$ 150,584</u>	<u>\$ 819,348</u>	<u>\$ 3,875,357</u>

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	<u>Function</u>				<u>Totals</u>
	<u>Instructional</u>	<u>Operations and Maintenance</u>	<u>Food Services</u>	<u>General and Administrative</u>	
Salaries and wages	\$ 1,337,283	\$ -	\$ -	\$ 299,482	\$ 1,636,765
Payroll taxes	102,684	-	-	23,184	125,868
Retirement contributions	40,482	-	-	8,228	48,710
Insurance	174,597	-	-	76,156	250,753
Materials and supplies	141,507	8,319	-	25,044	174,870
Professional services	13,622	1,046	-	113,093	127,761
Depreciation	-	112,070	-	-	112,070
Food and beverage	-	-	107,957	-	107,957
Rent	2,820	103,736	-	-	106,556
Repairs and maintenance	-	62,294	-	-	62,294
Technology	-	50,076	2,414	3,695	56,185
Nurse and psychologist	52,251	-	-	-	52,251
Utilities	-	36,913	-	9,347	46,260
Special event	-	-	-	38,481	38,481
Interest	-	-	-	25,189	25,189
Professional development	14,005	-	-	-	14,005
Dues and subscriptions	-	-	-	7,467	7,467
EBRPS administrative fee	6,043	-	-	-	6,043
Advertising	-	-	-	3,088	3,088
Travel	1,040	-	-	-	1,040
Other	2,645	-	-	13,637	16,282
Total expenses	\$ 1,888,979	\$ 374,454	\$ 110,371	\$ 646,091	\$ 3,019,895

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

For the year ended June 30, 2017

Agency Head: Heather Bourgeois**Position - Principal: December 2016 - Present**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 57,717
Benefits - insurance	1,246
Benefits - retirement	5,772
Reimbursements	848
Travel	329
	<u>\$ 65,911</u>

Agency Head: Torry Chatman**Position - Principal: July 2016 - December 2016**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 48,542
Benefits - retirement	3,121
Reimbursements	250
	<u>\$ 51,913</u>

See Independent Auditors' Report

Report on Internal Control and Compliance

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2017



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA KEY ACADEMY** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2017-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is reported as 2017-002.

Louisiana Key Academy's Responses to Findings

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

Purpose of this Report

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2017

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
 - B) A significant deficiency in internal control was disclosed by the audit of financial statements: **2017-001.**
 - C) Noncompliance which is material to the financial statements: **2017-002.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2017-001 and 2017-002.**
- 3) Findings and responses relating to federal awards: **None.**

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RESPONSES

For the year ended June 30, 2017

4) FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 Lack of Segregation of Duties

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

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

Cause: The accounting department has a limited number of staff.

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

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

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

Views of responsible officials and corrective action plan: Management intends to pursue segregating responsibilities.

5) FINDINGS – NONCOMPLIANCE

2017-002 Public Bid Law

Criteria: R.S. 17:3996(B)(19) includes charter schools under contract with the State of Louisiana to comply with Revised Statute (R.S.) 38:2211, Public Bid Law, unless excluded through its charter contract. For the purchases of construction, alteration, improvement, or repair of any public facility or immovable property (public works) owned, used, or leased by any public entity, the School should advertise and award the contract to the lowest bidder for any public works services in excess of \$152,550, as set forth by the Louisiana state public bid law.

5) FINDINGS – NONCOMPLIANCE (CONTINUED)

2017-002 Public Bid Law (Continued)

Condition: During 2017, the School did not comply with R.S. 38:2211, Public Bid Law, for the procurement of public works services for leasehold improvements.

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

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

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

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

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2017

2016-1 Lack of Segregation of Duties

Observation: This matter has been reclassified to Item 2017-001.

2016-2 Timeliness of Deposits

Observation: This matter is considered resolved.

SCHEDULES REQUIRED BY STATE LAW

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



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

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

Dear Board Members:

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **LOUISIANA KEY ACADEMY** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of **LOUISIANA KEY ACADEMY** as of June 30, 2017 and to determine whether the specified schedules are free of obvious errors and omissions as required by the Board of Elementary and Secondary Education (BESE) Bulletin. **LOUISIANA KEY ACADEMY'S** management is responsible for the assertions of the performance and statistical data accompanying the financial statements. The sufficiency of these procedures is solely the responsibility of the specified users of the 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:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
2.
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Exceptions Noted: Total General Fund Instructional Expenditures did not reconcile from the AFR to the financial statement data by approximately \$21,000.

Schedule B-2: Education Levels of Public School Staff

3. We reconciled the total number of full-time classroom teachers per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule B-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1, 2016.

Exceptions Noted: None.

4. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule B-4) to the combined total of principals and assistant principals per this schedule as of October 1, 2016.

Exceptions Noted: None.

5. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016 and as reported on the schedule. We traced each entry on the schedule to the individual’s teaching certificate issued by a State Department of Education to determine if the individual’s education level was properly classified on the schedule.

Exceptions Noted: None.

Schedule B-3: Number and Type of Public Schools

6. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application.

Exceptions Noted: None.

Schedule B-4: Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers

7. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016 and as reported on the schedule and traced each entry on the schedule to the individual’s personnel file to determine if the individual’s experience was properly classified on the schedule.

Exceptions Noted: We were unable to verify the experience level of six classroom teachers who are classified as 0-1 years of experience.

Schedule B-5: Public School Staff Data: Average Salaries

8. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced all teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Exceptions Noted: None

9. We recalculated the average salaries and full-time equivalents reported in the schedule.

Exceptions Noted: None

Schedule B-6: Class Size Characteristics

10. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule B-3 data, as obtained in procedure 5. We then traced each class to the June 30, 2017 class rosters per the JPAMS online gradebook used by each teacher and determined if the class was properly classified on the schedule.

Exceptions Noted: None

Schedule B-7: Louisiana Educational Assessment Program (LEAP)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Louisiana Key Academy.

Exceptions Noted: None.

Schedule B-8: Graduation Exit Examination (GEE)

12. The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.

Schedule B-9: iLEAP Tests

13. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Louisiana Key Academy.

Exceptions Noted: None.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of **LOUISIANA KEY ACADEMY**, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kaulk & Wimpler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA) AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

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

Schedule B-2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principal's with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-5 - Public School Staff Data: Average Salaries

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-6 - Class Size Characteristics

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

Schedule B-7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule B-8 - Graduation Exit Examination (GEE)

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

Schedule B-9 –iLEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the year ended June 30, 2017

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

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 995,578	
Other Instructional Staff Activities	396,066	
Instructional Staff Employee Benefits	393,770	
Purchased Professional and Technical Services	69,277	
Instructional Materials and Supplies	89,098	
Instructional Equipment	15,868	
Total Teacher and Student Interaction Activities		1,959,657

Other Instructional Activities

Pupil Support Activities

Less: Equipment for Pupil Support Activities

Net Pupil Support Activities

Instructional Staff Services

Less: Equipment for Instructional Staff Services

Net Instructional Staff Services

School Administration

Less: Equipment for School Administration

Net School Administration

Total General Fund Instructional Expenditures

Total General Fund Equipment Expenditures

2,075,394

(575,000)

1,500,394

\$ 3,460,051

\$ 590,868

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes

Renewable Ad Valorem Tax

Debt Service Ad Valorem Tax

Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes

Sales and Use Taxes

Total Local Taxation Revenue

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property

Earnings from Other Real Property

Total Local Earnings on Investment in Real Property

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax

Revenue Sharing - Other Taxes

Revenue Sharing - Excess Portion

Other Revenue in Lieu of Taxes

Total State Revenue in Lieu of Taxes

Nonpublic Textbook Revenue

Nonpublic Transportation Revenue

\$ -

-

-

-

-

-

-

-

-

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\$ -

\$ -

\$ -

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Education Levels of Public School Staff

As of October 1, 2016

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	%	Number	%	Number	%	Number	%
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	4	17	11	48	-	-	-	-
Master's Degree	6	26	1	4	2	67	1	33
Master's Degree + 30	1	4	-	-	-	-	-	-
Specialist in Education	-	-	-	-	-	-	-	-
Ph. D. or Ed. D.	-	-	-	-	-	-	-	-
Total	11	48	12	52	2	67	1	33

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Number and Type of Public Schools

As of October 1, 2016

<u>Type</u>	<u>Number</u>
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
Total	<u>1</u>

Note: Schools opened or closed during the fiscal year are included in this schedule.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2016

	<u>0-1 Yr.</u>	<u>2-3 Yrs.</u>	<u>4-10 Yrs.</u>	<u>11-14 Yrs.</u>	<u>15-19 Yrs.</u>	<u>20-24 Yrs.</u>	<u>25+ Yrs.</u>	<u>Total</u>
Principals	-	-	1	-	-	-	-	1
Assistant Principals	-	-	2	-	-	-	-	2
Classroom Teachers	<u>9</u>	<u>-</u>	<u>7</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>23</u>
Total	<u>9</u>	<u>-</u>	<u>10</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>26</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Public School Staff Data: Average Salaries
As of October 1, 2016

Average Classroom	Salary (a)	Salary (b)
Teachers' Salary Including Extra Compensation	\$ 44,766	\$ 44,766
Average Classroom		
Teachers' Salary Excluding Extra Compensation	\$ 44,009	\$ 44,009
Number of Teacher Full-time		
Equivalents (FTEs) used in Computation of Average Salaries	20	20

(a) All classroom teachers, including ancillary teachers

(b) Classroom teachers excluding ROTC, specialist, rehired retirees and flagged salary reductions.

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Class Size Characteristics

As of October 1, 2016

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	100%	20	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Louisiana Educational Assessment Program (LEAP)
LEAP scores for years 2014, 2015, 2016 and 2017

District Achievement Level Results	English Language Arts				Mathematics			
	2017	2016	2015	2014	2017	2016	2015	2014
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	≤ 1	≤ 1	NR	N/A	≤ 1	≤ 1	NR	N/A
Mastery	15	≤ 1	NR	N/A	6	≤ 1	NR	N/A
Basic	35	23	NR	N/A	15	8	NR	N/A
Approaching Basic	24	23	NR	N/A	25	31	NR	N/A
Unsatisfactory	26	54	NR	N/A	54	62	NR	N/A
Total	100	100	-	-	100	100	-	-
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	≤ 1	NR	N/A	N/A	≤ 1	NR	N/A	N/A
Mastery	13	NR	N/A	N/A	≤ 1	NR	N/A	N/A
Basic	45	NR	N/A	N/A	5	NR	N/A	N/A
Approaching Basic	32	NR	N/A	N/A	48	NR	N/A	N/A
Unsatisfactory	10	NR	N/A	N/A	46	NR	N/A	N/A
Total	100	-	-	-	100	-	-	-
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	≤ 1	N/A	N/A	N/A	≤ 1	N/A	N/A	N/A
Mastery	8	N/A	N/A	N/A	≤ 1	N/A	N/A	N/A
Basic	21	N/A	N/A	N/A	4	N/A	N/A	N/A
Approaching Basic	42	N/A	N/A	N/A	38	N/A	N/A	N/A
Unsatisfactory	28	N/A	N/A	N/A	58	N/A	N/A	N/A
Total	100	-	-	-	100	-	-	-

Louisiana Key Academy only administers grades 1st through 5th as of June 30, 2017, therefore grades 6th through 8th have not been presented.

NR - Less than 10 students in a subgroup, therefore not reported.

N/A - Not applicable as this grade was not administered in this school year by Louisiana Key Academy.

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

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

Graduation Exit Examination (GEE)
For the year ended June 30, 2017

The Graduation Exit Examination is no longer administered; therefore, this schedule is no longer applicable.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

iLEAP Tests

iLEAP scores for years 2014, 2015, 2016 and 2017

District Achievement Level Results	Science				Social Studies***			
	2017	2016	2015	2014	2017	2016	2015	2014
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3	≤ 1	NR	N/A	≤ 1	-	NR	N/A
Mastery	4	8	NR	N/A	4	-	NR	N/A
Basic	38	23	NR	N/A	18	-	NR	N/A
Approaching Basic	43	23	NR	N/A	41	-	NR	N/A
Unsatisfactory	12	46	NR	N/A	37	-	NR	N/A
Total	100	100	-	-	100	-	-	-

District Achievement Level Results	Science				Social Studies***			
	2017	2016	2015	2014	2017	2016	2015	2014
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	≤ 1	NR	N/A	N/A	≤ 1	-	N/A	N/A
Mastery	≤ 1	NR	N/A	N/A	2	-	N/A	N/A
Basic	38	NR	N/A	N/A	16	-	N/A	N/A
Approaching Basic	38	NR	N/A	N/A	31	-	N/A	N/A
Unsatisfactory	23	NR	N/A	N/A	51	-	N/A	N/A
Total	100	-	-	-	100	-	-	-

District Achievement Level Results	Science				Social Studies***			
	2017	2016	2015	2014	2017	2016	2015	2014
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	≤ 1	NR	N/A	N/A	≤ 1	-	N/A	N/A
Mastery	≤ 1	NR	N/A	N/A	≤ 1	-	N/A	N/A
Basic	27	NR	N/A	N/A	11	-	N/A	N/A
Approaching Basic	36	NR	N/A	N/A	28	-	N/A	N/A
Unsatisfactory	36	NR	N/A	N/A	61	-	N/A	N/A
Total	100	-	-	-	100	-	-	-

Louisiana Key Academy only administers grades 1st through 5th as of June 30, 2017 therefore grades 5th through 8th have not been presented.

NR - Less than 10 students in a subgroup, therefore not reported.

N/A - Not applicable as this grade was not administered in this school year by Louisiana Key Academy.

*** - A social studies field test was administered in place of the operational social studies test in 2015-2016.

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

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2017



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

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

We have performed the procedures enumerated below, which were agreed to by Louisiana Key Academy (the Academy) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

The Academy does not have written policies and procedures that address these areas.

- b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Academy has policies and procedures over purchasing that address purchase initiation, preparation and approval processes. The policy does not properly address (2) how vendors are added to vender list; (4) controls to ensure compliance with public law; and (5) documentation required to be maintained for all bids and price quotes.

- c. Disbursements, including processing, reviewing, and approving.

The Academy does not have written policies and procedures that address these areas.

- d. Receipts, including receiving, recording, and preparing deposits.

The Academy's written policies and procedures address these areas.

- e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Academy's written policies and procedures address reviewing and approving attendance records, but the policies do not address payroll processing.

- f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Academy does not have written policies and procedures that address these areas.

- g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The Academy does not have written policies and procedures that address these areas.

- h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The Academy's written policies and procedures over travel and expense reimbursements does not address these areas.

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Academy's written policies and procedures over ethics address actions to be taken if ethics violations take place and systems to monitor ethics violations, but the policies do not address prohibitions as defined in Louisiana Revised Statute 42:1111-1121. Also, employees are not required to annually attest through signature verification that they have read the entity's ethics policy.

- j. Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Academy's policies do not explicitly address debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a. Report whether the managing board met (with quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board did not meet in July 2016 and December 2016. However, based on the Academy's bylaws, the Board is only required to meet at least 4 times annually, but are encouraged to meet monthly. Quorum occurred at each board meeting held within the current fiscal year, being in compliance with the School's bylaws.

- b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes do not reference monthly budget to actual comparisons.

- c. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The Academy's minutes discuss non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all the of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

The Academy has three bank accounts; therefore, all bank accounts were selected.

- a. Bank reconciliations have been prepared;

Monthly bank reconciliations were prepared for each bank account for all periods with activity without exception. Reconciliations are not prepared for accounts in which there is no activity during the month.

- b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Seven of twelve bank reconciliations selected lacked evidence of management or board member review.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No exceptions noted.

Collections

- 5. Obtain a listing of cash/check/money order (cash) Collection location and management's representation that the listing is complete.

Management provided a listing of all cash collection locations. The Academy has one cash collection location, the reception desk, located at the Academy.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The Academy's written policies and procedures do not address these areas.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Academy's written policies and procedures do not address these areas.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The selected week of cash collections were traced to the bank statement and the deposit was made within one day of collection.

- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Academy's written policies and procedures address these areas.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Check register of disbursements for all cash accounts for the year ended June 30, 2017 was obtained. Management represented that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Three of twenty-five transactions lacked requisition/purchase order documentation.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The three of twenty-five transactions selected lacked sufficient approval documentation.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Ten of twenty-five transactions, including the three transactions listed above, were processed without approval.

- 10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Individuals responsible for processing payments are not prohibited from adding vendors to the entity's purchasing/disbursement system.

- 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The individual responsible (business manager) for initiating and recording transactions does not have signatory authority nor do they have final authorization for disbursement.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is maintained in the principal's locked file cabinet and access is restricted to the principal, who does not have signing authority of checks. Prior to November 2017, the check stock was in the custody of the business manager who does not have signing authority.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The Academy does not utilize use of a signature stamp or signature machine.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided a listing of all active credit cards and names of individuals with access to the cards. Management represented that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

There is no evidence that monthly statements were reviewed or approved by someone other than the authorized cardholder. The original credit card statements were misplaced during the transition of business managers and copies of statements were obtained from the credit card vendors website to compile the information necessary for review.

- b. Report whether finance charges and/or late fees were assessed on the selected statements.

There were no instances of finance charges or late fees.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a. For each transaction, report whether the transaction is supported by:

- i. An original itemized receipt (i.e., identifies precisely what was purchased)

There were five missing charges of twenty-eight selected totaling \$1,452 which lacked sufficient supporting documentation.

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No documentation of business/public purpose was present on any selected receipts.

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The Academy did not denote documentation of approval of charges.

- b. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exception noted.

- c. For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No documentation of business/public purpose was present on any selected receipts.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The general ledger was filtered to create a listing of all travel expense reimbursements. Management represented that the ledger was complete.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Travel and expense reimbursement are outlined in the Academy's policy, but do not address per diem and mileage rates.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail.

- a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Sufficient travel expense documentation for two of three travel expense transactions selected was not provided by management.

- b. Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Itemized receipts for two of three travel expense selections were not provided by management.

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Sufficient travel expense documentation for two of three travel expense transactions selected was not provided by management.

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Sufficient travel expense documentation for two of three travel expense transactions selected was not provided by management.

- c. Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Sufficient travel expense documentation for two of three travel expense transactions selected was not provided by management.

- d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Sufficient travel expense documentation for two of three travel expense transactions selected was not provided by management.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We created a listing of all vendors and the disbursements paid to them and selected the top five vendors who received the most disbursements throughout the fiscal year. Management has represented the listing as complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b. Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

One contract selected for testing was subject to public bid law, and contract documentation to legal requirements was not provided by management.

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No support contract documentation or solicitation of quote documentation was be provided by management.

- c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

The contracts selected were not amended during the current fiscal period.

- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a. Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No pay rate changes were made during the fiscal year.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a. Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b. Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

One instance where written documentation of supervisor approval could not be provided by management.

- c. Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

All leave records are maintained within the Academy without exception.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management was unable to provide a list of employees with termination payouts during the current fiscal year. Therefore, we were unable to complete this procedure.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Management was unable to provide complete support for state tax and retirement remittance support. Therefore, we were unable to complete this procedure.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Management provided ethics compliance documentation for the five individuals selected without exception.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No ethics violations were reported to management during the fiscal period.

Debt Service (excluding nonprofits)

Items 28-30 are not applicable to non-profits.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per inquiry with management, there have been no misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Academy has posted the required noticed within the premise, but it is not present on the Academy's website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017