



March 15, 2023

Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Resubmission of June 30, 2022 audited financial statements for East Baton Rouge Parish Charter School - Helix Network of Educational Choices (Entity ID: 10365)

We hereby resubmit the audited financial statements of Helix Network of Educational Choices as of and for the year ended June 30, 2022.

The notes to the financial statements have been revised to correct amounts reported as a net loss and deficit in net assets without donor restrictions in Note 11, as the notes did not reconcile to the financial statements. The corrected information can be found in Note 11 on page 16 of the following revised financial statements. Additionally, an emphasis of matter paragraph was added to our auditors' report. These were the only revisions from the previously issued financial statements.

Sincerely,

A handwritten signature in black ink that reads "Faulk & Winkler, LLC". The signature is written in a cursive, flowing style.

Faulk & Winkler

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATED FINANCIAL REPORT

June 30, 2022

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Helix Network of Educational Choices
Baton Rouge, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of **HELIX NETWORK OF EDUCATIONAL CHOICES** (a nonprofit organization) (the Academies), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academies as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained on *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Academies suffered significant loss from operations and has a net asset deficit. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 11. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academies' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and *Louisiana Governmental Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head, Consolidating Schedules of Financial Position, and Consolidating Schedule of Activities on Schedules 1 through 3 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 28, 2023, on our consideration of the Academies' 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 the effectiveness of the Academies' 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 Academies' internal control over financial reporting and compliance.


Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
February 28, 2023

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

	Amount
CURRENT ASSETS	
Cash	\$ 457,010
Receivables	514,264
Prepaid expenses and other	<u>12,824</u>
Total current assets	984,098
PROPERTY AND EQUIPMENT, net	<u>1,236,153</u>
Total assets	<u><u>\$ 2,220,251</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 968,003
Accrued salaries, benefits, and compensated absences	31,770
Due to management company, net	196,655
Student activity funds	18,396
Note payable, current portion	16,914
Lines of credit	<u>373,495</u>
Total current liabilities	<u>1,605,233</u>
LONG-TERM LIABILITIES	
Deferred rent payable	587,789
Notes payable, less current portion	<u>60,929</u>
Total liabilities	2,253,951
NET ASSETS (DEFICIT)	
Without donor restrictions	(63,700)
With donor restrictions	<u>30,000</u>
Total net assets (deficit)	<u>(33,700)</u>
Total liabilities and net assets	<u><u>\$ 2,220,251</u></u>

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
State grant - Minimum Foundation Program (MFP)	\$ 5,870,100	\$ -	\$ 5,870,100
Federal grants:			
Food program	333,215	-	333,215
Title I	337,009	-	337,009
Contributions	105,916	30,000	135,916
In-kind contributions	67,200	-	67,200
Other income	99,272	-	99,272
Total revenues and support	6,812,712	30,000	6,842,712
EXPENSES			
Program services	4,695,353	-	4,695,353
Operations and maintenance	1,781,510	-	1,781,510
General and administrative	1,910,563	-	1,910,563
Total expenses	8,387,426	-	8,387,426
Changes in net assets	(1,574,714)	30,000	(1,544,714)
NET ASSETS (DEFICIT)			
Beginning of year, restated	1,511,014	-	1,511,014
End of year	\$ (63,700)	\$ 30,000	\$ (33,700)

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,544,714)
Adjustments to reconcile change in net asset to net cash provided by operating activities:	
Depreciation expense	192,063
Deferred rent expense	587,789
Change in operating assets and liabilities:	
Decrease in receivables	2,749
Decrease in prepaid expenses and other	44,164
Increase in accounts payable and other liabilities	<u>662,618</u>
Net cash used for operating activities	<u>(55,331)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property	<u>(226,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings from line of credit	373,778
Principal payments on note payable	(15,220)
Principal payments on lines of credit	(1,049)
Principal payments on capital lease obligations	<u>(20,696)</u>
Net cash provided by financing activities	<u>336,813</u>
Net increase in cash	54,997
CASH	
Beginning of year	<u>402,013</u>
End of year	<u>\$ 457,010</u>
Supplemental disclosure of noncash investing and financing activities:	
Property acquired through financing agreements	<u>\$ 151,277</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 4,613</u>

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	Function			Totals
	Program Services	Operations and Maintenance	General and Administrative	
Salaries and benefits	\$ 3,462,078	\$ -	\$ 320,142	\$ 3,782,220
Professional services	149,577	132,309	1,185,964	1,467,850
Rent	-	1,031,572	-	1,031,572
Materials and supplies	163,633	136,488	188,907	489,028
Student transportation	390,726	-	-	390,726
Food and beverage	325,474	-	-	325,474
Utilities	-	201,032	-	201,032
Insurance	-	-	184,811	184,811
Repairs and maintenance	-	141,742	-	141,742
Property taxes	-	132,824	-	132,824
Depreciation	175,806	-	16,257	192,063
Telephone and internet	15,730	-	1,455	17,185
Legal	-	-	13,027	13,027
Interest	-	4,613	-	4,613
Recruiting	2,615	-	-	2,615
Professional development	473	-	-	473
Other	9,241	930	-	10,171
Total expenses	\$ 4,695,353	\$ 1,781,510	\$ 1,910,563	\$ 8,387,426

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

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

Helix Network of Educational Choices (the Academies) established its first educational institution, Mentorship Academy, on July 1, 2010, as a non-profit corporation under the laws of the State of Louisiana. In 2021, the Academy expanded its operations by establishing two additional institutions, Legal Academy and Aviation Academy. The Academies currently operate under a contract with the East Baton Rouge Parish School System (EBRPSS) to operate as Type 1 charter schools. The Academies are public, tuition free, charter schools for students in sixth grade (Aviation and Legal Academy) and students in ninth through twelfth grade (Mentorship Academy). The mission of the Academies is to develop young adults who learn continuously as our economies and communities change through mentoring relationships with industry professionals. The Academies started their tenth year with approximately 493 students for the 2021-2022 school year.

Basis of Consolidation

The assets, liabilities, net assets, revenues and expenses of Helix Network of Educational Choices and HCS Baton Rouge have been consolidated as Helix Network of Educational Choices (the Academies). Helix Network of Educational Choices has a charter school contract with EBRPSS for the operation of Helix Mentorship Academy. HCS Baton Rouge has two charter school contracts with EBRPSS for the operation of Helix Aviation Academy and Helix Legal Academy. Helix Network of Educational Choices and HCS Baton Rouge are controlled by the same governing board. All significant intercompany transactions have been eliminated in consolidation.

Financial statement presentation

The consolidated financial statements of the Academies have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Academies report information regarding financial position and activities according to the two classes of net assets as follows:

Net assets without donor restrictions are net assets that are for general use and not subject to restriction.

Net assets with donor restriction are net assets subject to donor-imposed stipulations that may or will be met by actions of the Academies and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement presentation (Continued)

The consolidated statement of activities presents expenses of the Academies' operations functionally between program services, operations and maintenance, 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, 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 and allocation of functional expenses.

Revenues and support

The Academies receive significant portions of their revenue from the Minimum Foundation Program (MFP) through EBRPSS. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes on a per student basis.

Other funding sources of the Academies are related to federal funds that are provided through the Louisiana Department of Education and the East Baton Rouge Parish School Board. These federal funds are typically for food service that is based on the number of students, which is restricted in use. A portion of the Academies revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Academies incur expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. There were no refundable advances as of June 30, 2022.

The Academies recognize contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions. The Academies did not have any promises to give at June 30, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind contributions

The Academies records the in-kind value of goods and services contributed to support various activities as support and related expenses. For the year ended June 30, 2022, the Academies received on behalf payments in the amount of \$67,200 related to rent expense, which is included as in-kind contributions on the consolidated statement of activities.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts.

Receivables

The receivables are stated at the amount management expects to collect. Management considers all amounts to be collectible; therefore, no allowance has been recorded at June 30, 2022. The Academies had no receivables outstanding that were greater than 90 days at June 30, 2022.

Functional expenses

Directly identifiable expenses are charged to programs and supporting services. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. The consolidated financial statements of the Academies report certain categories of expenses that are attributable to more than one program or supporting function. The expenses are allocated based on actual time and effort.

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rate offered for debt of comparable maturities and collateral requirements. None of the financial instruments are held for trading purposes.

Property

Property is recorded at cost less accumulated depreciation. The policy of the Academies requires assets with unit cost greater than \$500 to be capitalized as property. If an asset is donated to the Academy by a third party, its fair market value at the time of the acquisition shall be considered as the acquisition cost. Property acquired with grant funds are disposed of in accordance with grantor requirements. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenses for maintenance and repairs are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences

The compensated absence policy of the Academies states instructional staff members can earn up to seven days of vacation and sick leave during the fiscal year, are allowed to carryover unused vacation and sick days from year to year. After three years of service, employees are eligible to receive a payout of any unused paid time off. A request for payout must be made to the Supervisor for approval. Non-instructional staff members may earn up to fifteen vacation and sick days and can carryover five days at year end, for a maximum annual benefit of twenty days. At June 30, 2022, the Academies had \$31,770 of accrued compensated absences.

Tax exempt status

The Academies are each a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740 *Income Taxes*. As of June 30, 2022, the Academies have no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements. The open audit periods of the Academies are 2019 through 2022.

Recently adopted accounting standard

As of July 1, 2021, the Academies adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The Academies adoption of ASU No. 2020-07 did not result in any adjustments to their financial statement presentation.

Subsequent events

Subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements were evaluated through February 28, 2023, which was the date the consolidated financial statements were available to be issued. See Note 13.

NOTE 2 - PROPERTY AND EQUIPMENT

Property, service lives, and accumulated depreciation at June 30, 2022 were as follows:

	Estimated Service Lives	Amount
Leasehold improvements	5-20 years	\$ 1,586,844
Furniture, fixtures, and equipment	3-15 years	1,287,789
		2,874,633
Less accumulated depreciation		(1,638,480)
Property and equipment, net		\$ 1,236,153

Depreciation expense was \$192,063 for 2022.

NOTE 3 - NOTE PAYABLE

On September 28, 2021, the Academies entered into a note payable for equipment. The note is due in monthly installments of \$1,691 at an annual interest rate of 4.75%. The note matures September 2026 and is secured by the underlying equipment. Future maturities of the note payable are as follows:

Year ending June 30th	Amount
2023	\$ 16,914
2024	17,740
2025	18,620
2026	19,537
2027	5,032
Total	\$ 77,843

NOTE 4 - LINES OF CREDIT

The Academies has a variable interest rate (prime rate of the lender plus 2%, for an effective rate of 6.75% at June 30, 2022) revolving line of credit with a borrowing limit of \$250,000. The line of credit matured on January 16, 2023. On February 17, 2023, the line of credit was extended through April 2023, the line of credit is payable on demand. The line of credit is collateralized by the deposits of the Academies held with the creditor's institution. The outstanding balance of the line of credit at June 30, 2022 is \$240,000.

NOTE 4 - LINES OF CREDIT (CONTINUED)

In July 2021, the Academies entered into two additional variable interest rate lines of credit (prime rate of the lender plus 2%, for an effective rate of 6.25% at June 30, 2022) revolving line of credit with borrowing limits of \$100,000, combining for a total of \$200,000. The lines of credit both matured on July 10, 2022, and were renewed on July 21, 2022 with a maturity date of July 21, 2024. The renewed lines of credit contain variable interest rates calculated at the prime rate of the lender plus 1.60% for an effective rate of 6.35%. The lines of credit are payable upon demand and are guaranteed by a member of the management company of the Academies. The outstanding balance of the lines of credit at June 30, 2022 are \$68,783 and \$64,712, respectively, for a total of \$133,495.

The total balance on all lines of credit of the Academies at June 30, 2022 is \$373,495.

NOTE 5 - NET ASSETS

With donor restrictions

Net assets with donor restrictions consists of amounts restricted for specific purposes, available for property acquisitions, and campus improvements.

<u>Purpose</u>	<u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>2022</u>
Subject to satisfaction of purpose restrictions:				
Playground improvements	\$ -	\$ 30,000	\$ -	\$ 30,000

NOTE 6 - RETIREMENT PLAN

The Academies sponsor an Internal Revenue Code Section 403(b) Plan which covers substantially all employees of the Academy immediately upon employment. Employees may contribute up to the lesser of \$20,500 or 100% of includable compensation. The Academy matches 100% of the employee's elective contribution to the retirement plan, not to exceed 4% of the employee's compensation. Employer contributions reimbursed by the Academies as a direct expense through its contracted services agreement were \$61,604 for 2022.

NOTE 7 - CONCENTRATIONS

Revenues and receivables

The Academies receives the majority of operating revenue from state and federal grants. The percentage of revenue and receivables from these sources is as follows:

	Revenues	Receivables
Minimum Foundation Program (MFP) grant	86%	86%
Food program grant	5%	0%
Title I grant	5%	14%
Contributions	3%	0%
Other	1%	0%
	100%	100%

Credit risk

The Academies typically maintains cash in local banks that may, at times, exceed Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 per financial institution. Management believes the risk is limited. The exposure of the Academies above the FDIC limit as of June 30, 2022, is \$83,865.

NOTE 8 - COMMITMENT AND CONTINGENCIES

Lease - Senior Center

The Academies lease Senior Center facilities under an operating lease with base monthly payments of \$10,000. On July 1st of each year, the payment amount is increased by 3%. The lease expires in June 2024.

Lease - Mentorship and Legal Academy

The Academies entered into an operating leasing arrangement with Helix STEAM Properties on July 1, 2021, for a 35-year lease of the main campus of the Academies which is utilized for operations of Mentorship and Legal Academy. The leasing arrangement requires incremental increases each year. Rental expense under this agreement is recognized on a straight-line basis over the term of the rental agreement. Annual rent expense under this agreement is \$679,129. The Academies paid approximately \$91,000 for rental expense during the fiscal year ended June 30, 2022. At June 30, 2022, the Academies reported \$587,789 in deferred rent payable, which represents the difference in amounts paid for rent and annual rent expense, which will be reduced over the term of the rent agreement.

NOTE 8 - COMMITMENT AND CONTINGENCIES (CONTINUED)

Lease - Aviation Academy

In November 2019, the Academies entered into an operating leasing arrangement with the City of Baton Rouge Parish of East Baton Rouge on behalf of the Greater Baton Rouge Airport District Properties for a 5-year lease of Aviation Academy’s campus. Rent payments under the agreement contained a deferred period with monthly rent of \$16,800 commencing in April 2021. Additionally, the agreement contains an optional to renew for seven (7), five (5) year periods upon expiration of the initial term with a rate increase of 3%.

The estimated future minimum payments under these lease agreements are as follows:

<u>For the year ended June 30,</u>	<u>Senior Center</u>	<u>Campus Facilities</u>	<u>School Buses</u>	<u>Total</u>
2023	\$ 131,127	\$ 812,065	\$ 296,100	\$ 1,239,292
2024	135,061	839,013	296,100	1,270,174
2025	-	889,520	296,100	1,185,620
2026	-	753,188	296,100	1,049,288
2027	-	704,881	-	704,881
2028 and thereafter	-	<u>20,203,272</u>	-	<u>20,203,272</u>
Total	<u>\$ 266,188</u>	<u>\$ 24,201,939</u>	<u>\$ 1,184,400</u>	<u>\$ 25,652,527</u>

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Academy’s financial assets available within one year of the balance sheet date for general expenditure are as follows.

	<u>Amount</u>
Financial assets, at year-end	
Cash	\$ 457,010
Receivables	514,264
Less: Assets with donor restriction	<u>(30,000)</u>
Financial assets available within one year, at year end	<u>\$ 941,274</u>

As part of the Academy’s liquidity management, the Academy maintains sufficient cash funds during the year attributable to the annual cash receipts from federal, state, and local grants, and contributions from foundations and individuals. To help manage unanticipated liquidity needs, the Academy has committed three lines of credit in the amount of \$250,000, \$100,000, and \$100,000 which it could draw upon. As of June 30, 2022, \$76,505 was available.

NOTE 10 - AFFILIATED ORGANIZATIONS

Management Company

The Academies have a contract for certain management and administrative services with Helix Community Schools, which is based on 15 percent of revenues from the Minimum Foundation Program (MFP). Also, the management company will pay for certain direct expenses for which the Academies will reimburse the management company. The Academies incurred the following cost related contracted services provided by the management company for the year ended June 30, 2022:

Contracted Service:	<u>Amount</u>
Salaries and benefits	\$ 3,782,220
Professional services	<u>880,516</u>
Total	<u>\$ 4,662,736</u>

The Academies' payable due to the management company, net was \$196,655 at June 30, 2022. The amounts have no set repayment terms. Helix Community School's governing board is independent of the Academies' governing board with no overlapping board members.

Helix STEAM Properties

As described in Note 8, the Academies lease space for Mentorship Academy and Legal Academy from Helix STEAM Properties. In June 2021, Helix STEAM Properties issued tax-exempt bonds for the purpose of financing the acquisition, renovation, and equipping of facilities for the operation of Mentorship and Legal Academy. The purpose of the acquisition was to support the Academies, where the Academies would enter into an agreement with Helix STEAM Properties to lease the facilities and make monthly lease payments in amounts sufficient to pay the monthly principal and interest obligations of the tax-exempt bond. Helix STEAM Properties governing board is independent of the Academies' governing board.

NOTE 11 - GOING CONCERN

The consolidated financial statements of the Academies have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. The Academies incurred a net loss for 2022 of \$1,544,714 and has a deficit in net assets without donor restrictions of \$63,700.

Management has indicated that it plans to continue efforts to enhance the financial position of the Academies by doing the following:

- Expanding the enrollment of Legal and Aviation academy to accept sixth through eighth grades. As a result, management anticipates an increase in revenue that will exceed its anticipated cost.

NOTE 11 - GOING CONCERN (CONTINUED)

- The Academies have begun enhancing its efforts to solicit donations and grants from supporting organizations within the community. Management anticipates the additional support received during the year ended June 30, 2022, will continue, and assist in strengthening their financial position.
- Due to the close proximity of each of the campuses of the Academies, management has combined certain leadership positions between schools in order create greater vertical academic alignment, improve operational efficiency, a reduction in redundant staffing services.
- The Academies have minimized its transportation cost by reducing the numbers of buses needed to transport students to each of the campuses.
- The Academies have been awarded additional federal funding to assist with a significant portion of outstanding debts.

The consolidated financial statements do not include any adjustments relating to the reasonability of recorded assets or liability amounts that might be necessary should the Academy be unable to continue as a going concern.

NOTE 12 - CORRECTION OF ERROR

During the fiscal year ended June 30, 2022, a prior period adjustment to net assets without donor restriction was made related to leasehold improvements for the year ended June 30, 2021. Helix Aviation Academy received a contribution where a third-party granting organization funded the construction of certain leasehold improvements to Helix Aviation Academy's campus; these leasehold improvements were completed in April 2021. An adjustment of \$281,592 was required to properly state leasehold improvements and net assets without donor restriction as of June 30, 2021.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to year end, the governing body of the Academies formed a new entity, Helix Community Schools St. Landry. On February 27, 2023, this entity was awarded two charter contracts with the St. Landry Parish School Board to operate two Type 1 charter schools in St. Landry Parish. Helix Artificial Intelligence and Medical Academy and Helix Agriculture and Energy academy are scheduled to open in the fall of 2024 and 2025, respectively.

SUPPLEMENTARY INFORMATION

HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

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

For the year ended June 30, 2022

Agency Head: Arthur R. Cooper, Board Chair

No compensation paid from public funds.

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2022

ASSETS

	<u>Mentorship Academy</u>	<u>Helix Legal Academy</u>	<u>Helix Aviation Academy</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash	\$ 412,256	\$ 7,443	\$ 37,311	\$ -	\$ 457,010
Receivables	451,461	12,845	49,958	-	514,264
Intercompany receivable	164,739	-	-	(164,739)	-
Prepaid expenses and other	<u>12,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,824</u>
Total current assets	1,041,280	20,288	87,269	(164,739)	984,098
PROPERTY, net	<u>903,460</u>	<u>-</u>	<u>332,693</u>	<u>-</u>	<u>1,236,153</u>
Total assets	<u>\$ 1,944,740</u>	<u>\$ 20,288</u>	<u>\$ 419,962</u>	<u>\$ (164,739)</u>	<u>\$ 2,220,251</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 799,007	\$ 15,963	\$ 153,033	\$ -	\$ 968,003
Accrued salaries, benefits, and compensated absences	31,770	-	-	-	31,770
Due to management company, net	159,712	44,395	(7,452)	-	196,655
Intercompany payable	-	148,958	15,781	(164,739)	-
Student activity funds	18,396	-	-	-	18,396
Note payable, current portion	-	-	16,914	-	16,914
Lines of credit	<u>240,000</u>	<u>64,712</u>	<u>68,783</u>	<u>-</u>	<u>373,495</u>
Total current liabilities	1,248,885	274,028	247,059	(164,739)	1,605,233
LONG-TERM LIABILITIES					
Deferred rent payable	587,789	-	-	-	587,789
Notes payable, less current portion	<u>-</u>	<u>-</u>	<u>60,929</u>	<u>-</u>	<u>60,929</u>
Total liabilities	<u>1,836,674</u>	<u>274,028</u>	<u>307,988</u>	<u>(164,739)</u>	<u>2,253,951</u>
NET ASSETS (DEFICIT)	<u>108,066</u>	<u>(253,740)</u>	<u>111,974</u>	<u>-</u>	<u>(33,700)</u>
Total liabilities and net assets	<u>1,944,740</u>	<u>20,288</u>	<u>419,962</u>	<u>(164,739)</u>	<u>\$ 2,220,251</u>

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2022

	<u>Mentorship Academy</u>	<u>Helix Legal Academy</u>	<u>Helix Aviation Academy</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND SUPPORT:					
State grant - Minimum Foundation Program	\$ 4,957,944	\$ 243,174	\$ 668,982	\$ -	\$ 5,870,100
Federal grants:					
Food program	270,523	15,882	46,810	-	333,215
Title I	337,009	-	-	-	337,009
Contributions	416	42,000	93,500	-	135,916
In-kind contributions	-	-	67,200	-	67,200
Other income	301,959	9,898	-	(212,585)	99,272
	<u>5,867,851</u>	<u>310,954</u>	<u>876,492</u>	<u>(212,585)</u>	<u>6,842,712</u>
EXPENSES:					
Personnel:					
Salaries	2,549,130	248,766	334,337	-	3,132,233
Employee benefits	556,754	41,410	55,732	-	653,896
Total personnel	<u>3,105,884</u>	<u>290,176</u>	<u>390,069</u>	<u>-</u>	<u>3,786,129</u>
Educational services:					
Management fee and professional services	1,176,276	59,027	183,133	(4,977)	1,413,459
Materials and supplies	406,114	47,461	106,461	(81,534)	478,502
Student transportation	390,725	28,410	60,947	(10,682)	469,400
Food and beverage	235,070	25,997	23,248	(24,907)	259,408
Consultants	18,660	252	408	-	19,320
Telephone and internet	14,562	486	2,137	-	17,185
Recruiting	521	693	1,401	-	2,615
Professional development	473	-	-	-	473
Total educational services	<u>2,242,401</u>	<u>162,326</u>	<u>377,735</u>	<u>(122,100)</u>	<u>2,660,362</u>
General and administrative:					
Rent	922,937	93,754	104,881	(90,000)	1,031,572
Utilities	143,373	13,878	40,936	-	198,187
Insurance	184,811	-	-	-	184,811
Repairs and maintenance	103,860	3,584	35,742	(485)	142,701
Property taxes	132,824	-	-	-	132,824
Depreciation	134,374	-	57,689	-	192,063
Small equipment	-	-	31,896	-	31,896
Legal	13,027	-	-	-	13,027
Interest	805	493	3,315	-	4,613
Other	4,911	483	3,847	-	9,241
Total general and administrative	<u>1,640,922</u>	<u>112,192</u>	<u>278,306</u>	<u>(90,485)</u>	<u>1,940,935</u>
Total expenses	<u>6,989,207</u>	<u>564,694</u>	<u>1,046,110</u>	<u>(212,585)</u>	<u>8,387,426</u>
Changes in net assets	<u>\$ (1,121,356)</u>	<u>\$ (253,740)</u>	<u>\$ (169,618)</u>	<u>\$ -</u>	<u>\$ (1,544,714)</u>

Report on Internal Control and Compliance
HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

June 30, 2022

**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
Helix Network of Educational Choices
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 the *Louisiana Governmental Audit Guide* and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies) (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Academies' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Academies' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academies' consolidated 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations on page 25 as item 2022-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academies' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under the *Louisiana Governmental Audit Guide* and *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations on pages 25 and 26 as items 2022-001 and 2022-002.

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 Academies' internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Louisiana Governmental Audit Guide* and *Government Auditing Standards* in considering the Academies' 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
February 28, 2023

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2022

1) SUMMARY OF AUDITORS' RESULTS:

- A) The type of report issued on the consolidated financial statements: **Unmodified opinion.**
- B) Significant deficiency in internal control were disclosed by the audit of consolidated financial statements: **None.**

Material weaknesses: **2022-001.**

- C) Noncompliance that is material to the consolidated financial statements: **2022-001 and 2022-002.**
- D) Findings relating to the consolidated financial statements reported in accordance with *Government Auditing Standards*: **2022-001 and 2022-002.**

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2022

2) FINDINGS – FINANCIAL STATEMENT AND NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS:

2022-001 State Audit Law

Fiscal Year Finding Originated: 2022

Condition: The audited financial statements of the Academies were not submitted in the period prescribed by Louisiana Revised Statute (R.S.) 24:513.

Criteria: Local auditees subject to the reporting requirements of the Louisiana Legislative Auditor are required to complete their annual audit within six months after their fiscal year-end.

Cause: The Academies' expanded its operations in the current year by establishing two additional institutions, Helix Legal Academy and Helix Aviation Academy. While commencing the first year of operations for the two new institutions, the Academies' experienced turnover in their Chief Financial Officer (CFO) position. As a result of the turnover in conjunction with the opening of two new institutions during the COVID-19 pandemic, significant disruptions were caused to the previously implemented policies and procedures over financial reporting. With these new challenges, the Academies were unable to perform their year-end close timely as they have done in previous years and therefore received a two-month extension for the annual audit. In order to timely submit audited consolidated financial statements, significant audit adjustments were required to fairly present the consolidated financial statements. The impacts of the audit adjustments are as follows:

- Accounts receivable and revenue related to Child Nutrition Program funds were overstated by \$154,091.
- Minimum Foundation Program revenue (MFP) was overstated by \$29,533.
- Title I revenue was overstated by \$15,658.
- Adjustments to accounts payable, accrued liabilities, and deferred rent resulting in a net increase in net assets of \$49,152.
- Adjustments to amounts due to management company resulted in a net increase in net assets of \$152,480.
- Other minor adjustments proposed to properly state balances resulting in a net decrease in net assets by \$56,146.
- Cash was understated by \$30,000 and accounts receivable was overstated by \$30,000.
- As a result, the total effect from audit entries decreased net assets of the Academies by approximately \$53,796.

Effect: Although the Academies requested an extension, which was approved, the Academies were not in compliance with R.S. 24:513. Additionally, the consolidated financial statements required material adjustments in order to be fairly presented.

2) FINDINGS – FINANCIAL STATEMENT AND NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS (CONTINUED):

2022-001 State Audit Law (Continued)

Recommendation: We recommend that the Academies implement procedures to enhance its month-end and year-end close procedures to improve the ability of the Academies to produce financial data to meet the criteria established by R.S. 24:513.

Views of responsible officials: Management concurs with this matter and has begun the implementation of the aforementioned recommendation to improve the timeliness and accuracy of the month-end close process.

2022-002 Student Enrollment Files

Fiscal Year Finding Originated: 2022

Condition: The Academies was unable to provide adequate records displaying compliance with their approved charter for 5 out of 25 student files.

Criteria: The Academies are required to maintain documents of all student enrollment applications and obtain proof of residency within East Baton Rouge Parish for each applicant.

Cause: While performing standard compliance procedures over the Academies' compliance with their approved charter, it was discovered that the Academies were unable to provide application records for 1 out of the 25 files selected. Additionally, the Academies did not provide adequate proof of residency for 4 out of the 25 student files selected.

Effect: The Academies may not be in compliance with certain aspects of their approved charter agreement.

Recommendation: The Academies should develop processes to ensure all required eligibility documentation is consistently maintained.

Views of responsible officials: Management concurs with the recommendation above. Management will ensure policies and procedures over student eligibility captures all required documentation as outlined in our charter agreement.

HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2022

There were none.



To the Board of Directors
Helix Network of Educational Choices
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies), as of and for the year ended June 30, 2022, 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 *Louisiana Governmental Audit Guide*, we considered the Academies 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 the Academies internal control. Accordingly, we do not express an opinion on the effectiveness of the Academies internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We reported on the Academies internal control in our report dated February 28, 2023. This letter does not affect our report dated February 28, 2023 on the consolidated financial statements of the Academies.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel of the Academies, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized on Attachment A.

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


Certified Public Accountants

Baton Rouge, Louisiana
February 28, 2023

OR 2022-1 - Financial Reporting

Observation: For the fiscal year ending June 30, 2022, Helix Network of Educational Choices (collectively, the Academies) includes Helix Mentorship Academy, Helix Legal Academy, and Helix Aviation Academy, whereas prior to July 1, 2021, only Helix Mentorship Academy was included in Helix Network of Educational Choices financial statements. With the opening of Helix Legal Academy and Helix Aviation Academy in the 2021-2022 fiscal year, opportunities were identified to strengthen certain processes and procedures in the financial reporting process, specifically related to consolidation requirements defined by ASC 810 *Consolidation*.

The current financial policies and procedures for each individual institution do not specifically address intercompany transactions, balances, and related reconciliation procedures. Additionally, with the Academies entering into a contract with a charter management organization, the financial processes and procedures do not address reconciling the related transactions and balances between individual institutions and the charter management organization, respectively.

Lastly, the results of certain tests performed in our performance of the statewide agreed upon procedures discovered opportunities for enhancement relating to the depositing of monies received.

Recommendation: Due to consolidation requirements, the Academies should implement financial closing procedures to ensure intercompany accounts between the individual institutions are reconciled to supporting schedules on a periodic basis. Additionally, activity between the individual institutions and the charter management organization should also be reconciled on a periodic basis to ensure amounts reported between the individual entities agree to supporting schedules.

Regarding the reconciliation of intercompany activity, such financial closing procedures should include:

- Monthly reconciliations of the amounts owed to/from each individual institution included in the Academies consolidated financial statements to supporting schedules.
 - Supporting schedules for amounts owed to/from each individual institution should be independent of the accounting system where each institution has a schedule outlining what specific items (i.e., vendor invoices, rent, etc.) comprises the amounts owed to/from the other institution(s).
- Monthly reconciliations of the amounts individual institutions owed to/from the charter management organization in the Academies consolidated financial statements to supporting schedules.
 - Similarly to the supporting schedules for intercompany activity, each institution should have a supporting schedule that outlines what specific items (i.e. invoice, payroll, CMO fee, etc.) comprises the amounts owed to/from the charter management organization.
 - Additionally, a reconciliation should be performed on the charter management organization's fee charged to individual institutions at the end of the fiscal year. This reconciliation should compare amounts paid to the charter management organization to amounts contractually owed.

OR 2022-1 - Financial Reporting (Continued)

Recommendation (Continued): Furthermore, as management of the Academies explore the creation of new institutions, consideration should be given to evaluate the current accounting software and technology used and its capabilities to prepare consolidated financial statements in a efficient and effective manner. Such capabilities should include the elimination of intercompany balances and activity, production of consolidated financial statements, and production of consolidating reports where financial data of individual institutions can be analyzed individually within the same accounting system.

Lastly, in regards to enhancements in processes and procedures of depositing monies received, the Academies should utilize a stamping tool that documents when monies are received by the Academies to ensure these funds are being deposited timely.

Management's response: Management agrees with the recommendations above and has begun implementing procedures over reconciling intercompany balances and transactions. Additionally, management will begin evaluating its current accounting technology software to explore potential efficiencies to the extent it is economically feasible.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

HELIX NETWORK OF EDUCATIONAL CHOICES

Baton Rouge, Louisiana

For the year ended June 30, 2022

**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Louisiana
Helix Network of Educational Choices and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. **HELIX NETWORK OF EDUCATIONAL CHOICES** (the Academies') management is responsible for those C/C areas identified in the SAUPs.

The Academies have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and schedule of 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.
 - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. ***Disbursements***, including processing, reviewing, and approving.
 - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee:

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
 - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations:

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on

the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a. Observe that receipts are sequentially pre-numbered.
- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. Trace the deposit slip total to the actual deposit per the bank statement.
- d. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e. Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [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.]]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased security.

Travel and Travel-Related Expense Reimbursement (excluding card transactions):

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts:

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel:

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that 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.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d. Observe the rate paid to the employees of officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee and officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service:

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice:

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity:

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Sexual Harassment:

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

HELIX NETWORK OF EDUCATIONAL CHOICES
Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended June 30, 2022

Exceptions:

No exceptions were found as a result of applying the procedures listed above, except as follows:

Written Policies and Procedures:

- 1 (b)** The purchasing policy of the Academies does not address how vendors are added to the vendor list.
- 1 (f)** The Contracts policy of the Academies does not address legal review or the monitoring of contracts.
- 1 (k)** The policies of the Academies do not address or contain information technology disaster recovery procedures as required by the SAUPs.
- 2 (a)** Of the three institutions tested, the Board of the one institution did not meet at least ten times as established by the Bylaws of the institution.
- 2 (b)** The minutes of the Academies' board meetings did not mention or include financial statements with budget-to-actual comparison.

Bank Reconciliations:

- 3 (b)** Of the five accounts tested, no bank reconciliations contained evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks have reviewed the bank reconciliation.

Collections:

- 7 (d)** Of the eight deposits tested totaling \$216,905, it was discovered that the Academies did not make daily deposits on five occasions. These three exceptions totaled \$72,065 in deposits and had an average of 34-business day lag between the date of receipt and the date of deposit.

Contracts:

15 (d) Of the five contracts selected, the Academies was unable to provide supporting documentation in order to determine if the payment agreed to the terms and conditions of the related contract. The amount of this exception was \$8,000.

Management's Response:

Management of the Academies concurs with the exceptions identified and are in the process of addressing these matters.

We were engaged by the **HELIX NETWORK OF EDUCATIONAL CHOICES** to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the **HELIX NETWORK OF EDUCATIONAL CHOICES** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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
February 28, 2023