

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

**AS OF JUNE 30, 2020 AND 2019
AND FOR THE YEARS THEN ENDED**

**WITH
INDEPENDENT AUDITOR'S REPORT**



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA**

Annual Financial Statements
As of and for the Years Ended June 30, 2020 and 2019
With Supplementary Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Delta Charter Group
Ferriday, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Delta Charter Group (the School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Board of Directors and the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer are presented for the purpose 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 as Schedules 1 and 2, are not a required part of the basic financial statement but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Auditor's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, 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* and should be read in conjunction with this report in considering the results of our audit.



Natchez, Mississippi
December 2, 2020

**SECTION I
FINANCIAL STATEMENTS**

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash	\$ 2,537,279	\$ 1,522,779
Cash - school activity funds	189,365	161,983
Accounts receivable	<u>103,131</u>	<u>111,323</u>
Total current assets	<u>\$ 2,829,775</u>	<u>\$ 1,796,085</u>
Fixed assets		
Property and equipment, net	\$ 976,481	\$ 983,736
Total fixed assets, net	<u>\$ 976,481</u>	<u>\$ 983,736</u>
 Total assets	 <u>\$ 3,806,256</u>	 <u>\$ 2,779,821</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,251	\$ 169,323
Due school activity funds	189,365	161,983
Payroll liabilities	274,263	222,417
Accrued expenses	114,979	55,577
Notes payable - current portion	<u>350,921</u>	<u>10,749</u>
Total current liabilities	<u>\$ 935,779</u>	<u>\$ 620,049</u>
Long-term Liabilities		
Notes payable - long-term portion	\$ 447,515	\$ 26,262
Total liabilities	<u>\$ 1,383,294</u>	<u>\$ 646,311</u>
Net Assets		
Without donor restrictions	<u>\$ 2,422,962</u>	<u>\$ 2,133,510</u>
Total net assets	<u>\$ 2,422,962</u>	<u>\$ 2,133,510</u>
 Total liabilities and net assets	 <u>\$ 3,806,256</u>	 <u>\$ 2,779,821</u>

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

THE DELTA CHARTER GROUP
 FERRIDAY, LOUISIANA
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Operating activities:		
Revenue and other support:		
State public school funding	\$ 4,604,615	\$ 4,426,478
Federal sources	383,240	325,012
Meal income	6,991	14,923
Donations	12,405	4,990
Other income	<u>73,516</u>	<u>21,422</u>
Total operating revenue	<u>\$ 5,080,767</u>	<u>\$ 4,792,825</u>
Expenses		
Program services	\$ 4,521,789	\$ 4,262,910
Management and general	<u>269,526</u>	<u>292,211</u>
Total expenses	<u>\$ 4,791,315</u>	<u>\$ 4,555,121</u>
Change in net assets from operating activities	<u>\$ 289,452</u>	<u>\$ 237,704</u>
Change in net assets	<u>\$ 289,452</u>	<u>\$ 237,704</u>
Net assets, beginning of year	<u>\$ 2,133,510</u>	<u>\$ 1,895,806</u>
Net assets, end of year	<u>\$ 2,422,962</u>	<u>\$ 2,133,510</u>

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

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	June 30, 2020		
	Program Services	Management and General	Total
Salaries	\$ 2,590,030	\$ 119,490	\$ 2,709,520
Payroll taxes and benefits	663,054	34,598	697,652
Food services	127,357	-	127,357
Student activities	5,500	-	5,500
Depreciation	94,895	-	94,895
Supplies, materials, and textbooks	151,184	3,518	154,702
Student transportation	74,798	-	74,798
Purchased services	135,304	67,915	203,219
Utilities	61,200	-	61,200
Repairs	18,292	258	18,550
Insurance	438,392	37,413	475,805
Phone, Internet, and postage	9,687	-	9,687
Dues and miscellaneous	40,210	165	40,375
Travel	16,013	1,106	17,119
Indirect costs	12,611	-	12,611
Equipment	83,262	-	83,262
Advertising	-	3,624	3,624
Interest	-	1,439	1,439
	<u>4,521,789</u>	<u>269,526</u>	<u>4,791,315</u>
Total expenses	<u>\$ 4,521,789</u>	<u>\$ 269,526</u>	<u>\$ 4,791,315</u>

	June 30, 2019		
	Program Services	Management and General	Total
Salaries	\$ 2,392,754	\$ 102,741	\$ 2,495,495
Payroll taxes and benefits	570,903	25,573	596,476
Food services	148,370	-	148,370
Student activities	11,000	-	11,000
Depreciation	87,426	-	87,426
Supplies, materials, and textbooks	129,702	2,377	132,079
Student transportation	96,951	-	96,951
Purchased services	150,654	115,893	266,547
Utilities	63,155	-	63,155
Repairs	56,446	-	56,446
Insurance	383,780	33,105	416,885
Phone, Internet, and postage	11,256	-	11,256
Dues and miscellaneous	47,658	10	47,668
Travel	12,933	1,535	14,468
Indirect costs	9,790	-	9,790
Equipment	90,132	-	90,132
Advertising	-	8,725	8,725
Interest	-	2,252	2,252
	<u>4,262,910</u>	<u>292,211</u>	<u>4,555,121</u>
Total expenses	<u>\$ 4,262,910</u>	<u>\$ 292,211</u>	<u>\$ 4,555,121</u>

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets from operating activities	\$ 289,452	\$ 237,704
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	94,895	87,426
Changes in assets and liabilities		
(Increase) decrease in assets:		
Accounts receivable	8,192	(83,544)
Increase (decrease) in liabilities:		
Accounts payable	(163,072)	113,500
Due school activity funds	27,382	(23,428)
Payroll liabilities	51,846	(1,233)
Accrued expenses	<u>59,402</u>	<u>(6,935)</u>
Net cash provided by operating activities	<u>\$ 368,097</u>	<u>\$ 323,490</u>
Cash flows from investing activities		
Purchase of land, building, and equipment	<u>\$ (87,640)</u>	<u>\$ (211,890)</u>
Net cash used for investing activities	<u>\$ (87,640)</u>	<u>\$ (211,890)</u>
Cash flows from financing activities		
Loan proceeds - SBA PPP Loan	\$ 772,207	\$ -
Principal paid on debt	<u>(10,782)</u>	<u>(12,603)</u>
Net cash from financing activities	<u>\$ 761,425</u>	<u>\$ (12,603)</u>
Net increase in cash	\$ 1,041,882	\$ 98,997
Cash at beginning of year	<u>1,684,762</u>	<u>1,585,765</u>
Cash at end of year	<u>\$ 2,726,644</u>	<u>\$ 1,684,762</u>
Supplementary disclosure of cash flow information		
Interest paid	<u>\$ 1,439</u>	<u>\$ 4,543</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Delta Charter Group (the School) was granted a Type 2 charter by the Louisiana Board of Elementary and Secondary Education to provide educational services in Louisiana to students beginning with the 2014-2015 school year. The School served eligible students in kindergarten through twelfth grade in the 2019-2020 school year and was authorized for 484 students. The School is governed by a nine-member board of directors.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenues

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded through the State Public School Fund. The School receives funding per eligible student in attendance on October 1, payable in monthly installments. Adjustments are normally made in the following year.

State and Federal grants are generally on a cost-reimbursement basis, whereby revenues are recognized when related eligible expenses are incurred.

Property, Plant, and Equipment

The School has adopted the practice of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$1,000 and the useful life exceeds one year. Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The following are the estimated useful lives of the capital assets of the School:

<u>Asset</u>	<u>Useful Life (in years)</u>
Buildings	40 years
Equipment	5 years

Compensated Absences

The School grants all 12-month employees of the School a total of 30 days of paid sick leave per year. Sick leave may be accumulated from year to year, not to exceed 90 days. Upon retirement or death prior to retirement, the School will pay to the employee or his/her estate any unused sick leave, not to exceed 25 days. In addition, all full-time personnel employed on a 12-month fiscal year basis are entitled to annual leave of 18 days per year, based upon years of consecutive service. Compensated absences accrued as of June 30, 2020 and 2019, were \$114,564 and \$55,161, respectively, and are included in accrued expenses on the statement of financial position.

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Concentrations

The School received 90% of its revenues in the year ended June 30, 2020, from the State of Louisiana's Minimum Foundation Program, in accordance with its charter school contract with the State.

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through December 2, 2020, the date which the financial statements were available to be issued, based on FASB ASC 855, *Subsequent Events*. For information about subsequent events occurring after year end, see Note 8.

Adoption of Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-4, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-4 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two—net assets with donor restrictions, and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the School, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the School's year ended June 30, 2019 and thereafter, and must be applied on a retrospective basis. The School adopted the ASU effective July 1, 2018.

Net Assets

In accordance with Financial Accounting Standard Board Accounting Standards Codification (FASB ASC) 948, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions, and net assets with donor restrictions). Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be used on a particular use. Restrictions may be met by the passage of time or by actions of the School. Certain restrictions may need to be maintained in perpetuity.

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2020
Cash and cash equivalents	\$ 2,537,279

None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the School in the next 12 months.

Income Taxes

The School is a nonprofit organization, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is required to annually file Form 990 with the Internal Revenue Service. The School does not have uncertain tax positions that are deemed material and did not recognize any adjustments for unrecognized tax benefits nor did the School incur any unrelated business income.

Reclassifications

Certain reclassifications have been made to the June 30, 2019, financial statements presentation to correspond to the current year's format. Total net assets and total change in net assets are unchanged due to these reclassifications.

NOTE 2 - CASH AND CASH EQUIVALENTS

The School's cash (bank balance) was \$2,953,372 as of June 30, 2020. Of this amount, \$500,000 was covered by the Federal Deposit Insurance Corporation and \$2,218,156 by pledged securities. The School's cash (bank balance) was \$1,501,253 as of June 30, 2019. Of this amount, \$414,181 was covered by the Federal Deposit Insurance Corporation and \$1,600,753 was secured by pledged securities. The amount in excess of coverage was \$938,438 as of June 30, 2020.

NOTE 3 - GRANTS AND OTHER RECEIVABLES

Accounts receivable are as follows:

	2020	2019
Title I - Minimum Foundation	\$ 60,804	\$ 76,362
U.S. Department of the Treasury	8,883	-
IDEA B	27,170	25,589
Title IIa	6,274	4,806
Direct Student Services	-	4,566
Total	\$ 103,131	\$ 111,323

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4 - SCHOOL ACTIVITY FUNDS

School Activity Funds are monies collected through dues, fundraisers, admissions, or other money-generating activity by an organizational unit within the School. It also includes donations from outside sources when such donation is made for a specific or restricted purpose. These monies are kept separate from governmental monies provided for regular instructional programs or facilities.

NOTE 5 - FIXED ASSETS

A summary of fixed assets as of June 30, 2020 and 2019, is as follows:

	2020	2019
Land	\$ 105,440	\$ 105,440
Buildings and improvements	870,581	849,266
Equipment	595,577	529,252
Accumulated depreciation	(595,117)	(500,222)
Total	\$ 976,481	\$ 983,736

Depreciation expense for the years ended June 30, 2020 and 2019, was \$94,895 and \$87,426, respectively.

NOTE 6 - RETIREMENT PLAN

Teacher's Retirement System of Louisiana (TRSL)

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer, defined-benefit pension plan administered by a separate board of trustees. Pertinent information relative to the Plan follows.

Plan Description. The TRSL provides retirement benefits as well as disability and survivor benefits. 10 years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123.

Funding Policy. Plan members are required to contribute 8% of their annual covered salary in 2020 and 2019. The School is required to contribute at an actuarially determined rate. The current rate is 26.7% of annual eligible covered payroll. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to the Plan were \$603,500 for the year ended June 30, 2020, and \$590,506 for the year ended June 30, 2019, which is equal to the required contribution.

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - RETIREMENT PLAN (continued)

Optional Retirement Plan (ORP) - The Optional Retirement Plan (ORP) was established for academic employees of public institutions of higher education who are eligible for membership in the TRSL. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement.

The ORP is a defined contribution pension plan which provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the TRSL's Board of Trustees. Monthly employer and employee contributions are invested as directed by the employee to provide the employee with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employee's working lifetime. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than the TRSL and purchase annuity contracts—fixed, variable, or both—for benefits payable at retirement.

Louisiana School Employees' Retirement System (LSERS)

General Information about the Pension Plan

Plan Description. Employees of the school are provided with pensions through a cost-sharing, multiple-employer, defined-benefit plan administered by the State of Louisiana School Employees' Retirement System (LSERS). Section 11:1001 of the Louisiana Revised Statutes grants to LSERS's Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the Plan. LSERS issues a publicly available financial report that is available for download at www.lasers.net.

Benefits Provided. The following is a description of the Plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

A member who joined the System on or before June 30, 2010, is eligible for normal retirement if he/she has at least 30 years creditable service regardless of age, 25 years of creditable service and is at least age 55, 20 years of creditable service regardless of age with an actuarially reduced benefit, or 10 years of creditable service and is at least age 60. A member who joined the System on or after July 1, 2010, is eligible for normal retirement if he/she has at least five years of creditable service and is at least age 60, or 20 years of creditable service regardless of age with an actuarially reduced benefit.

For members who joined the System prior to July 1, 2006, the maximum retirement benefit is an amount equal to 3.33% of the average compensation for the three highest consecutive years of membership service, subject to the 10.0% salary limitation, multiplied by the number of years of service, limited to 100% of final average compensation, plus a supplemental allowance of \$2.00 per month for each year of service. For members who joined the System on or after July 1, 2006 through June 30, 2010, 3.33% of the average compensation is used to calculate benefits; however, the calculation consists of the five highest consecutive years of membership service, subject to the 10.0% salary limitation. For members who joined the System on or after July 1, 2010, 2.5% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15.0% salary limitation. The supplementary allowance was eliminated for members entering the System on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - RETIREMENT PLAN (continued)

2. Deferred Retirement Benefits

Members of the System may elect to participate in the Deferred Retirement Option Plan (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the System. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account.

The System maintains sub-accounts within this account reflecting the credits attributed to each participant in the DROP program. Interest credited and payments from the DROP account are made in accordance with LA-R.S. 11:1152(F)(3). Upon termination of participation in both the DROP program and employment, a participant may receive his/her DROP monies either in a lump sum payment from the account or systematic disbursements.

The System also provides for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

3. Disability Retirement Benefits

A member is eligible to retire and receive disability benefits if they have at least five years of creditable service, are not eligible for normal retirement, and have become totally and permanently disabled and are certified as disabled by the State Medical Disability Board. A vested person with 20 or more years of creditable service is eligible for a disability benefit until normal retirement age. A member who joins the System on or after July 1, 2006, must have at least 10 years of service to qualify for disability benefits. Upon the death of a member with five or more years of creditable service, the System provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

4. Initial Benefit Retirement Plan

Effective January 1, 1996, the state legislature authorized the System to establish an Initial Benefit Retirement Plan (IBRP) program. IBRP is available to members who have not participated in DROP and who select the maximum benefit, Option 2 benefit, Option 3 benefit, or Option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The IBRP program provides both a one-time, single-sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from IBRP account are made in accordance with LA-R.S. 11:1152(F)(3).

Contributions. Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution.

The employer's contribution rate for the year ended June 30, 2020, was 29.40% of annual payroll, with the employee contributing 8% of annual payroll. Contributions to the pension plan from the School Board were \$19,228 for the year ended June 30, 2020.

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7 - NOTES PAYABLE

The following is a summary of changes in long-term liabilities in the statement of financial assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Note payable	\$ -	\$ 772,207	\$ -	\$ 772,207	\$ 339,679
Note payable	37,011	-	(10,782)	26,229	11,242
	<u>\$ 37,011</u>	<u>\$ 772,207</u>	<u>\$ (10,782)</u>	<u>\$ 798,436</u>	<u>\$ 350,921</u>

Notes payable at June 30, 2020, are comprised of the following:

	2020	2019
\$772,207 promissory note, payable through 17 monthly payments of \$43,465, with a remainder payment of \$43,465 ; interest rate - 1.00% ; note signed April 13, 2020, matures April 13, 2022.*	\$ 772,207	\$ -
Note payable of \$54,000 due in 59 payments of \$1,083 per month, bearing interest of 4.5%, due 9/22/2022. Secured by bus.	26,229	37,011
Total	<u>\$ 798,436</u>	<u>\$ 37,011</u>

* Payroll Protection Loan referenced in Note 11

The annual requirement to amortize notes payable as of June 30, 2020, is as follows:

Year Ended	Loan 1		Loan 2	
	Principal	Interest	Principal	Interest
6/30/2021	\$ 339,679	\$ -	\$ 11,242	\$ 991
6/30/2022	432,528	-	14,987	496
	<u>\$ 772,207</u>	<u>\$ 1,414</u>	<u>\$ 26,229</u>	<u>\$ 4,864</u>

NOTE 8 - SUBSEQUENT EVENTS

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of the release of these financial statements. As such, the full impact that the pandemic will have on the School's operations and financial reporting is unknown at this time.

**THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 - LITIGATION

The Delta Charter School is a defendant, along with the Concordia Parish School Board, in a lawsuit involving a 50-year-old desegregation suit. A ruling was rendered in June 2017 concerning the case; however, a stay was granted to the School for the 2017-2018 school year. The School is currently working with a court-appointed special master on ways to help meet the requirements set forth in the ruling.

NOTE 10 - FUNCTIONAL EXPENSES ALLOCATION

The School has one program providing education for students in grades K-12. Expenses have been allocated between programs services and management and general related expenses. Management has determined that management and general expenses consist of legal and accounting fees and office expenses. All other expenses are directly related to providing for students in grades K-12.

NOTE 11 - PAYROLL PROTECTION PROGRAM

On April 13, 2020, the School received loan proceeds in the amount of \$772,207 under the Payroll Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The PPP loan, which was in the form of a note payable dated April 13, 2020, issued by the School, matures on April 13, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 13, 2020. The note payable may be repaid by the School at any time prior to maturity with no prepayment penalties.

Under the terms of the PPP, the loan and accrued interest may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the School currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is possible that actions have been, or could be taken, that could cause the Foundation to be ineligible for forgiveness of the loan, in whole or in part.

SECTION II
SUPPLEMENTARY INFORMATION

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
SCHEDULE OF BOARD OF DIRECTORS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

<u>Board Members</u>	<u>Compensation</u>
Michael Burley, Board President	\$ -
Craig Jackson, Vice President	\$ -
Hilie McFarland, Secretary	\$ -
Mike Rabb, Treasurer	\$ -
Johnny Taylor	\$ -
Nan Huff	\$ -
Keith Dallalio	\$ -
Kenneth Simpson	\$ -
Sheila Dye	\$ -

See Independent Auditor's Report.

THE DELTA CHARTER GROUP
 FERRIDAY, LOUISIANA
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Agency Head Name: Michael Burley, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
	<u>\$ -</u>

See Independent Auditor's Report.

SECTION III
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE



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

Board of Directors
 The Delta Charter Group
 Ferriday, 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 The Delta Charter Group (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 2, 2020.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Silas Simms, LLP".

Natchez, Mississippi
December 2, 2020

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
SUMMARY OF FINDINGS
JUNE 30, 2020

Section I – Summary of Audit Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified and not considered to be material weaknesses | None |
| c. Noncompliance noted | None |

THE DELTA CHARTER GROUP
 FERRIDAY, LOUISIANA
 STATUS OF PRIOR YEAR AUDIT FINDINGS
 JUNE 30, 2019

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Status
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Section I - Internal Control and Compliance Material to the Financial Statements:

None

Section II - Internal Control and Compliance Material to Federal Awards:

None

Section III - Management Letter:

None

THE DELTA CHARTER GROUP
 FERRIDAY, LOUISIANA
 STATUS OF CURRENT YEAR FINDINGS, RECOMMENDATIONS,
 AND CORRECTIVE ACTION PLAN
 FOR THE YEAR ENDED JUNE 30, 2020

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Status
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Section I - Internal Control and Compliance Material to the Financial Statements:

None

Section II - Internal Control and Compliance Material to Federal Awards:

None

Section III - Management Letter:

None

SECTION IV
SCHEDULES REQUIRED BY LOUISIANA STATE LAW

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2020



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
The Delta Charter Group
Ferriday, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of The Delta Charter Group (the School) 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 the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education Bulletin, as related to the limited procedures performed herein. The School's management is responsible for the School's data. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. 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 supplementary information and are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total general fund instructional expenditures,
 - Total general fund equipment expenditures, and

We noted no exceptions.

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then compared this information to the October 1 class size report obtained from LA DOE and determined if the class was properly classified on the schedule.

We noted no exceptions.

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

3. We obtained October 1 PEP data submitted to the Department of Education, including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience were properly classified on the PEP data or equivalent listing prepared by management.

We noted no exceptions.

Public School Staff Data (No Schedule)

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

We noted no exceptions.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of The Delta Charter Group, as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Silas Simmons, LLP

Natchez, Mississippi
December 2, 2020

THE DELTA CHARTER GROUP
FERRIDAY, LOUISIANA
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
AND CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2020

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$	1,965,756
Other instructional staff activities		597,558
Instructional staff employee benefits		122,022
Purchased professional and technical services		75,089
Instructional materials and supplies		92,304
Instructional equipment		<u>30,022</u>
Total teacher and student interaction activities	\$	2,882,751
Other instructional activities		60,552
Pupil support services	\$	270,352
Less: Equipment for pupil support services		<u>-</u>
Net pupil support services		270,352
Instructional staff services	\$	30,655
Less: Equipment for instructional staff services		<u>-</u>
Net instructional staff services		30,655
School administration	\$	445,261
Less: Equipment for school administration		<u>-</u>
Net school administration		<u>445,261</u>
Total general fund instructional expenditures	\$	<u>3,689,571</u>
Total general fund equipment expenditures	\$	<u>30,022</u>

Certain Local Revenue Sources

Local taxation revenue:		
Constitutional ad valorem tax	\$	-
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		<u>-</u>
Total local taxation revenue	\$	<u>-</u>
Local earnings on investment in real property:		
Earnings from 16 th Section property	\$	-
Earnings from other real property		<u>-</u>
Total local earnings on investment in real property	\$	<u>-</u>
State revenue in lieu of taxes:		
Revenue sharing - constitutional tax	\$	-
Revenue sharing - other taxes		-
Revenue sharing - excess portion		-
Other revenue in lieu of taxes		<u>-</u>
Total state revenue in lieu of taxes	\$	<u>-</u>
Nonpublic textbook revenue	\$	<u>-</u>
Nonpublic transportation revenue	\$	<u>-</u>

See Independent Auditor's Report.

THE DELTA CHARTER GROUP
 FERRIDAY, LOUISIANA
 CLASS SIZE CHARACTERISTICS
 FOR THE YEAR ENDED JUNE 30, 2020

School Type	Class Size Range								
	1-20		21-26		27-33		34+		
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	
Elementary	-	-	-	-	-	-	-	-	-
Elementary activity classes	-	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-	-
Middle/Jr. High activity classes	-	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-	-
High activity classes	-	-	-	-	-	-	-	-	-
Combination	74%	20	100%	5	100%	1	-	-	-
Combination activity classes	26%	7	-	-	-	-	-	-	-

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.