

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.



Financial Statements, Additional Information  
for the Year Ended June 30, 2019, Federal  
Awards Supplemental Information as of and  
for the Year Ended June 30, 2019 and  
Independent Auditor's Reports

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

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## **Independent Auditor's Report**

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Louisiana Achievement Charter Academies, Inc. (the "Academy"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets and cash flows for the year 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 from material misstatement.

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Achievement Charter Academies, Inc. as of June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Academy adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, as of June 30, 2019. Our opinion is not modified with respect to this matter.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisiana Achievement Charter Academies, Inc.'s financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") is presented for the purpose of additional analysis and is not a required part of the financial statements. The combining statements of financial position and activities and changes in net assets, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 schedule of expenditures of federal awards and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the financial statements as a whole.

The combining statements of financial position and the activities and changes in net assets have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of Louisiana Achievement Charter Academies, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Louisiana Achievement Charter Academies, Inc.'s internal control over financial reporting and compliance.



September 26, 2019

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

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### ASSETS

#### CURRENT ASSETS:

Cash	\$	1,289,327
Due from governmental revenue sources		<u>462,663</u>
Total current assets		<u>1,751,990</u>

#### NON-CURRENT ASSETS:

Capital assets		48,365
Less accumulated depreciation		<u>(20,555)</u>
Total capital assets, net of accumulated depreciation		<u>27,810</u>

TOTAL		<u><u>1,779,800</u></u>
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### LIABILITIES AND NET ASSETS

#### LIABILITIES:

Accounts payable		1,050
Deferred revenue		34,396
Contracted service fee payable		<u>441,464</u>
Total liabilities		<u>476,910</u>

#### NET ASSETS:

Net Assets without Donor Restriction		<u>1,302,890</u>
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TOTAL	\$	<u><u>1,779,800</u></u>
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See notes to financial statements.

**LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2019**

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CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES GAINS AND OTHER SUPPORT:

State aid	\$	12,854,040
Federal sources		1,816,801
Private sources		150,853
In-kind contribution - NHA		<u>1,262,788</u>
Total revenues		<u>16,084,482</u>

EXPENSES:

Contracted services fee		15,951,386
Expenses of the Board of Directors		73,632
Depreciation		<u>4,836</u>
Total expenses		<u>16,029,854</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION 54,628

NET ASSETS:

Beginning of year		<u>1,248,262</u>
End of year	\$	<u><u>1,302,890</u></u>

See notes to financial statements.

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2019

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### CASH FLOWS FROM OPERATING ACTIVITIES:

State aid	\$ 12,854,040
Federal sources	1,537,741
Private sources	(49,083)
Payments for services rendered	<u>(14,283,929)</u>

Net cash provided by operating activities 58,769

NET INCREASE IN CASH 58,769

CASH - Beginning of Year 1,230,558

CASH - End of Year \$ 1,289,327

### RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION TO CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net assets without donor restrictions	\$ 54,628
Depreciation expense	4,836
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in accounts payable	(9,614)
Change in prepaid expenses	114,990
Change in due from governmental revenue sources	(279,060)
Change in contracted service fee payable	372,925
Change in deferred revenue	<u>(199,936)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 58,769

### NON-CASH ACTIVITIES:

In-kind contribution from NHA \$ 1,262,788

See notes to financial statements.

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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### 1. NATURE OF OPERATIONS

Louisiana Achievement Charter Academies, Inc. (“LACA”) was incorporated on July 19, 2013 as a non-profit corporation under the laws of the State of Louisiana and began operations on July 1, 2014 as public charter schools as defined by the Charter School Demonstration Programs Law, LA. R.S. 17:3971 *et seq.* Advantage Charter Academy (“Advantage”) and Willow Charter Academy (“Willow”) (collectively, “the academies”), which are operated by LACA, provide education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The academies each operate under a charter approved by the Louisiana Board of Elementary and Secondary Education, which is responsible for oversight of LACA’s operations. The charters for the academies each expire on June 30, 2022. The academies provide education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. LACA has applied to the Internal Revenue Service for recognition of its exemption from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

LACA’s primary source of revenue is provided by the State of Louisiana through its Minimum Foundation Program and consists of an amount per student multiplied by weighted average student counts. The state revenue, which passes through the Louisiana Department of Education, is recognized ratably over the school year and is funded through payments from July 2018 through June 2019.

The Board of Directors of LACA has entered into a separate services agreement (the “agreement”) for each of the academies with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facilities in which Advantage and Willow operate. The agreement will continue until termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either LACA or NHA. Subsequent to year end, the Board of Directors of LACA submitted a written notice of intent to terminate the agreement with NHA effective June 30, 2020. The termination of the agreement is subject to approval by the authorizer, Louisiana Board of Elementary and Secondary Education. As of the date of this report, the authorizer has not concluded on this matter.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the academies from all revenue sources. Revenues — In-kind contribution — NHA represents a contribution granted by NHA for the excess of Advantage or Willow’s expenditures over revenue available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The financial statements of LACA are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

**Cash** — At June 30, 2019, the Academies had deposits with a carrying amount of \$1,289,327 and bank balance of \$1,260,691 of which \$760,691 was uninsured and uncollateralized by federal depository insurance. The Academies do not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The Academies believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academies evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Capital Assets** — Capital assets consist of other equipment and other property purchased with the proceeds of federal grants with a cost of \$5,000 or more, title to which is retained by LACA. All other property and equipment used by LACA is the property of NHA. Capital assets are depreciated over five years.

**The Financial Statements** — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* — Net assets, which are not subject to donor, imposed or governmental stipulations. All net assets as of June 30, 2019 are considered to be without donor restrictions.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. For the year ended June 30, 2019, all revenue sources were without donor restrictions.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Income Taxes** — LACA operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. LACA has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

**Recent Accounting Pronouncements** — In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Academy's year ending June 30, 2020 and will be applied on a modified prospective basis. The Academy does not expect the standard to have a significant impact on the timing of revenue recognition for government and individual grants and contracts.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the Statements of Activities and Changes in Net Assets and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Academy's year ending June 30, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Financial Accounting Standards Board has a pending exposure draft that, if adopted, would delay implementation of this standard by 1 year. The new lease standard is expected to have a significant impact on the Academy's financial statements as a result of the leases for property and equipment classified as operating leases. The effect of applying the new lease guidance on the financial statements will be to increase long-term assets and to increase short-term and long-term liabilities. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

**Adoption of Accounting Pronouncement** — In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: 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 Academy, including disclosures about the liquidity and availability of resources. The new standard is effective for the Academy's year ended June 30, 2019 and thereafter and must be applied on a retrospective basis. The Academy adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

### **3. RISK MANAGEMENT**

LACA is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2019, and claims did not exceed coverage less retained risk deductible amounts in past fiscal year.

### **4. CONTINGENCIES**

LACA has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **5. LIQUIDITY**

The Academies have \$1,751,990 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,289,327 and amounts due from governmental revenue sources of \$462,663 at June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Academies have a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,671,000 at June 30, 2019.

While the Academies do not currently carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required make contributions to the Academies if the Academies' expenditures exceed the school's revenue during the year.

## 6. FUNCTIONAL EXPENSES

The Academy provides educational services to its students. Expenses related to providing these services are as follows as of June 30, 2019:

	<u>2019</u>
Program services	
Contracted service fee	\$ 14,776,288
Depreciation	4,836
Board expenses	<u>73,632</u>
Total program services	14,854,756
General and administrative	
Contracted service fee	1,175,098
Total	<u>\$ 16,029,854</u>

## 7. CAPITAL ASSETS

Capital asset activity of LACA was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities —				
Other equipment	\$ 48,365	\$ -	\$ -	\$ 48,365
Less accumulated depreciation —				
Other equipment	<u>15,719</u>	<u>4,836</u>	<u>-</u>	<u>20,555</u>
Total capital assets, net	<u>\$ 32,646</u>	<u>\$ (4,836)</u>	<u>\$ -</u>	<u>\$ 27,810</u>

## 8. OPERATING LEASE

LACA has entered into a sublease agreement with NHA for a facility to house Advantage. The lease term is from July 1, 2018 through June 30, 2019. Annual rental payments required by the lease are \$1,027,840, payable in twelve monthly payments of \$85,653.

LACA has entered into a sublease agreement with NHA for a facility to house Willow. The lease term is from July 1, 2018 through June 30, 2019. Annual rental payments required by the lease are \$1,217,200, payable in twelve monthly payments of \$101,433.

The leases are automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either LACA or NHA.

LACA subsequently renewed each sublease with NHA for the period of July 1, 2019 through June 30, 2020, at the same rental rate.

**9. COMPENSATION OF BOARD OF DIRECTORS**

All members of the Board of Directors serve as volunteers without compensation. By resolution of the Board, Directors may be reimbursed for their reasonable expenses incident to their duties in accordance with applicable laws.

**10. SUBSEQUENT EVENTS**

Events or transactions occurring after June 30, 2019 have been evaluated through September 26, 2019, the date the financial statements were available to be issued. The financial statements and notes thereto do not reflect events or transactions after this date.

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## **ADDITIONAL INFORMATION**

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

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	Advantage	Willow	Total
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash	\$ 634,288	\$ 655,039	\$ 1,289,327
Due from governmental revenue sources	<u>164,702</u>	<u>297,961</u>	<u>462,663</u>
Total current assets	<u>798,990</u>	<u>953,000</u>	<u>1,751,990</u>
NON-CURRENT ASSETS:			
Capital assets	23,032	25,333	48,365
Less accumulated depreciation	<u>(9,789)</u>	<u>(10,766)</u>	<u>(20,555)</u>
Total capital assets, net of accumulated depreciation	<u>13,243</u>	<u>14,567</u>	<u>27,810</u>
TOTAL	<u>\$ 812,233</u>	<u>\$ 967,567</u>	<u>\$ 1,779,800</u>
<b>LIABILITIES AND NET ASSETS</b>			
LIABILITIES:			
Accounts payable	\$ -	\$ 1,050	\$ 1,050
Deferred revenue	3,340	31,056	34,396
Contracted service fee payable	<u>168,006</u>	<u>273,458</u>	<u>441,464</u>
Total liabilities	<u>171,346</u>	<u>305,564</u>	<u>476,910</u>
NET ASSETS - Without donor restriction	<u>640,887</u>	<u>662,003</u>	<u>1,302,890</u>
TOTAL	<u>\$ 812,233</u>	<u>\$ 967,567</u>	<u>\$ 1,779,800</u>

See notes to financial statements.

**LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2019**

	Advantage	Willow	Total
CHANGES IN UNRESTRICTED NET ASSETS WITHOUT DONOR RESTRICTIONS			
REVENUES GAINS AND OTHER SUPPORT:			
State aid	\$ 6,469,488	\$ 6,384,552	\$ 12,854,040
Federal sources	831,971	984,830	1,816,801
Private sources	94,494	56,359	150,853
In-kind contribution - NHA	<u>643,573</u>	<u>619,215</u>	<u>1,262,788</u>
Total revenues	<u>8,039,526</u>	<u>8,044,956</u>	<u>16,084,482</u>
EXPENSES:			
Contracted services fee	7,983,519	7,967,867	15,951,386
Expenses of the Board of Directors	35,931	37,701	73,632
Depreciation	<u>2,303</u>	<u>2,533</u>	<u>4,836</u>
Total expenses	<u>8,021,753</u>	<u>8,008,101</u>	<u>16,029,854</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	17,773	36,855	54,628
NET ASSETS:			
Beginning of year	<u>623,114</u>	<u>625,148</u>	<u>1,248,262</u>
End of year	<u>\$ 640,887</u>	<u>\$ 662,003</u>	<u>\$ 1,302,890</u>

See notes to financial statements.

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*

**Independent Auditor's Report**

To Management and the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Louisiana Achievement Charter Academies, Inc. (the "Academy"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated September 26, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Achievement Charter Academies, Inc.'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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.

To Management and the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Achievement Charter Academies, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

September 26, 2019

## **SUPPLEMENTAL INFORMATION**

**LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD  
OR CHIEF EXECUTIVE OFFICER  
YEAR ENDED JUNE 30, 2019**

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**Agency Head Name:** Walter Morales, Board President

<b>Purpose</b>	<b>Amount</b>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-Other (describe)	-
Benefits-Other (describe)	-
Benefits-Other (describe)	-
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

**Independent Auditor's Report**

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Louisiana Achievement Charter Academies, Inc.'s (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2019. Louisiana Achievement Charter Academies, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Louisiana Achievement Charter Academies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louisiana Achievement Charter Academies, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Louisiana Achievement Charter Academies, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Plante & Moran, PLLC*

September 26, 2019

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2019

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipient
<b>Clusters:</b>										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Louisiana Department of Education and Nutrition Program:										
Cash Assistance:										
Advantage National School Lunch Program 2017-18	N/A	10.555	\$ 307,968	\$ 273,275	\$ 3,453	\$ -	\$ 38,146	\$ 34,693	\$ -	\$ -
Advantage National School Lunch Program 2018-19	N/A	10.555	249,341	-	-	-	223,058	249,341	26,283	-
Willow National School Lunch Program 2017-18	N/A	10.555	263,286	241,437	1,678	-	23,527	21,849	-	-
Willow National School Lunch Program 2018-19	N/A	10.555	296,666	-	-	-	272,149	296,666	24,517	-
National School Lunch Program (incl. commodities) Subtotal		10.555	1,117,261	514,712	5,131	-	556,880	602,549	50,800	-
Advantage National School Breakfast Program 2017-18	N/A	10.553	107,627	97,728	1,662	-	11,561	9,899	-	-
Advantage National School Breakfast Program 2018-19	N/A	10.553	58,715	-	-	-	52,497	58,715	6,218	-
Willow National School Breakfast Program 2017-18	N/A	10.553	95,923	72,711	893	-	24,105	23,212	-	-
Willow National School Breakfast Program 2018-19	N/A	10.553	136,025	-	-	-	124,753	136,025	11,272	-
National School Breakfast Program Subtotal		10.553	398,290	170,439	2,555	-	212,916	227,851	17,490	-
Total Child Nutrition Cluster			1,515,551	685,151	7,686	-	769,796	830,400	68,290	-
Special Education Cluster - U.S. Department of Education -										
Passed through the Louisiana Department of Education:										
IDEA Flowthrough:										
Advantage IDEA Flowthrough 1718	N/A	84.027	114,278	114,015	4,666	-	-	-	4,666	-
Advantage IDEA Flowthrough 1819	N/A	84.027	101,299	-	-	-	63,257	101,299	38,042	-
Willow IDEA Flowthrough 1718	N/A	84.027	92,160	92,160	7,407	-	7,407	-	-	-
Willow IDEA Flowthrough 1819	N/A	84.027	80,529	-	-	-	53,996	80,529	26,533	-
Total IDEA Flowthrough		84.027	388,266	206,175	12,073	-	124,660	181,828	69,241	-
IDEA Preschool:										
Advantage IDEA Preschool 1819	N/A	84.173A	2,970	-	-	-	-	2,970	2,970	-
Willow IDEA Preschool 1718	N/A	84.173A	2,630	2,630	635	-	635	-	-	-
Willow IDEA Preschool 1819	N/A	84.173A	2,225	-	-	-	-	2,225	2,225	-
Total IDEA Preschool		84.173A	7,825	2,630	635	-	635	5,195	5,195	-
Total Special Education Cluster			396,091	208,805	12,708	-	125,295	187,023	74,436	-

# LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2019

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipient
Other federal awards:										
Passed through the Louisiana Department of Education:										
Title I Part A:										
Advantage Title I Part A 1718	N/A	84.010	432,765	383,306	52,023	-	63,593	11,570	-	-
Advantage Title I Part A 1819	N/A	84.010	372,142	-	-	-	250,619	322,894	72,275	-
Willow Title I Part A 1718	N/A	84.010	406,752	378,077	96,876	-	100,398	3,522	-	-
Willow Title I Part A 1819	N/A	84.010	<u>470,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,233</u>	<u>403,110</u>	<u>192,877</u>	<u>-</u>
Total Title I Part A		84.010	1,682,606	761,383	148,899	-	624,843	741,096	265,152	-
Title II Part A - Improving Teacher Quality:										
Advantage Title II Part A 1718	N/A	84.367	30,210	25,762	5,386	-	5,386	-	-	-
Advantage Title II Part A 1819	N/A	84.367	52,547	-	-	-	26,345	40,590	14,245	-
Willow Title II Part A 1718	N/A	84.367	19,010	9,440	7,098	-	7,015	(83)	-	-
Willow Title II Part A 1819	N/A	84.367	<u>18,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,775</u>	<u>17,775</u>	<u>-</u>
Total Title II Part A		84.367	119,777	35,202	12,484	-	38,746	58,282	32,020	-
Title VII - Part B Homeless Children and Youth										
Advantage Title VII 1718	N/A	84.196	1,179	1,174	1,174	-	1,174	-	-	-
Willow Title Title VII 1718	N/A	84.196	<u>656</u>	<u>652</u>	<u>652</u>	<u>-</u>	<u>652</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Title VII - Part B		84.196	<u>1,835</u>	<u>1,826</u>	<u>1,826</u>	<u>-</u>	<u>1,826</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncluster programs passed through the Louisiana Department of Education			<u>1,804,218</u>	<u>798,411</u>	<u>163,209</u>	<u>-</u>	<u>665,415</u>	<u>799,378</u>	<u>297,172</u>	<u>-</u>
Total Federal Awards			<u>\$ 3,715,860</u>	<u>\$ 1,692,367</u>	<u>\$ 183,603</u>	<u>\$ -</u>	<u>\$ 1,560,506</u>	<u>\$ 1,816,801</u>	<u>\$ 439,898</u>	<u>\$ -</u>

# **LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.**

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## **Notes to the Schedule of Expenditures of Federal Awards June 30, 2019**

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Louisiana Achievement Charter Academies, Inc. (the "Academy") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy. Pass-through entity identifying numbers are presented where available.

### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the same basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **Note 3 – Reconciliation to the Financial Statements**

Since revenue is recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenue reported.

**LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Unmodified
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Section II - Financial Statement Audit Findings**

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.  
3850 Broadmoor SE, Ste 201  
Grand Rapids, MI 49512

Dear Board Members,

We have performed the procedures included in the *Louisiana Governmental Audit Guide* enumerated below, which were agreed to by the management of Louisiana Achievement Charter Academies, Inc. (the "Academy"); the Louisiana Department of Education, and the Louisiana Legislative Auditor, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Louisiana Achievement Charter Academies, Inc. for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE), in compliance with Louisiana Revised Statute 24:514.I. Management of the Louisiana Achievement Charter Academies, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

1. We selected a random sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
  - a. Total General Fund Instructional Expenditures
  - b. Total General Fund Equipment Expenditures
  - c. Total Local Taxation Revenue
  - d. Total Local Earnings on Investment in Real Property
  - e. Total State Revenue in Lieu of Taxes
  - f. Nonpublic Textbook Revenue
  - g. Nonpublic Transportation Revenue

**Exceptions Noted:** None

### ***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 traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

**Exceptions Noted:** Based on review of the supporting documentation, the total number of classrooms originally reported in the schedule with class sizes of 21-26 and 27-33 varied from the underlying data. The schedule was revised to match underlying data prior to reporting.

### ***Education Levels/Experience of Public School Staff (NO SCHEDULE)***

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

**Exceptions Noted:** Within the sample of 25, it was noted that the experience level for four individuals was incorrectly recorded on the PEP data prepared by management based on review of personnel files.

### ***Public School Staff Data: Average Salaries (NO SCHEDULE)***

4. We obtained June 30<sup>th</sup> 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).

**Exceptions Noted:** None

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 Louisiana Achievement Charter Academies, Inc., 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.

*Plante & Moran, PLLC*

Grand Rapids, MI  
September 26, 2019

**Louisiana Achievement Charter Academies, Inc.  
Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data) As of and  
for the Year Ended June 30, 2019**

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

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

**Schedule 2 (Formerly Schedule 6) Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

**LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.  
BAKER, LOUISIANA**

**Schedule 1**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources  
For the Year Ended June 30, 2019**

**General Fund Instructional and Equipment Expenditures**

<b>General Fund Instructional Expenditures</b>		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 3,307,940	
Other Instructional Staff Salaries	474,259	
Instructional Staff Employee Benefits	1,126,891	
Purchased Professional and Technical Services	238,734	
Instructional Materials and Supplies	648,425	
Instructional Equipment	<u>52,283</u>	
<b>Total Teacher and Student Interaction Activities</b>		<b>\$ 5,848,532</b>
<b>Other Instructional Activities</b>		<b>249,547</b>
<b>Pupil Support Services</b>	<b>446,816</b>	
Less: Equipment for Pupil Support Services	<u>-</u>	
<b>Net Pupil Support Services</b>		<b>446,816</b>
<b>Instructional Staff Services</b>	<b>657,309</b>	
Less: Equipment for Instructional Staff Services	<u>-</u>	
<b>Net Instructional Staff Services</b>		<b>657,309</b>
<b>School Administration</b>	<b>1,308,267</b>	
Less: Equipment for School Administration	<u>-</u>	
<b>Net School Administration</b>		<b><u>1,308,267</u></b>
<b>Total General Fund Instructional Expenditures</b>		<b><u>\$ 8,510,471</u></b>
<b>Total General Fund Equipment Expenditures</b>		<b><u>\$ 52,283</u></b>

See independent accountant's report on applying agreed upon procedures.

LOUISIANA ACHIEVEMENT CHARTER ACADEMIES, INC.  
 BAKER, LOUISIANA  
 Class Size Characteristics  
 As of October 1, 2018

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34 +	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	2.00%	1	64.00%	32	34.00%	17	0.00%	0
Elementary Activity Classes								
Middle Jr. High								
Middle Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

See independent accountant's report on applying agreed upon procedures.

## Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of Directors  
Louisiana Achievement Charter Academies, Inc.

We have performed the procedures enumerated below, which were agreed to by Louisiana Achievement Charter Academies, Inc. (the "Academy") solely to assist users in evaluating management's accounting and control processes and procedures specified by the Louisiana Legislative Auditor in their prescribed statewide agreed-upon procedures designed to lessen the risk of fraud, waste, and abuse relating to Louisiana Achievement Charter Academies, Inc. as of June 30, 2019. The Academy's management is responsible for the accounting control processes and procedures relevant to the processes and procedures noted in the statewide agreed-upon procedures designed to lessen the risk of fraud, waste, and abuse. The sufficiency of these procedures is solely the responsibility of the Louisiana Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - 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.

- 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 of statements, 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) **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.

**Exceptions Noted:**

- With regard to Disaster Recovery/Business Continuity, there are no formal written policies and procedures at the Academy related to (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, and (5) timely application of all available system and software patches/updates.

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

1. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
2. 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 debit/credit card purchases, exception reports for excessive fuel card usage) was received 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.
3. Using the monthly statements or combined statements selected under #2 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 scrutiny.

**Exceptions Noted:**

- One monthly credit card statement with transactions totaling \$3,349.06 for the month of December 2018 included one transaction totaling \$164.63 for "field trip lunch" that was not properly supported by any itemized receipts or similar documentation. No compensating control to address the missing receipt was noted by management.
- Within the same December 2018 statement noted above, there was a transaction totaling \$275.98 for lodging that was not properly supported by any itemized receipts or similar documentation. No compensating control to address the missing receipt was noted by management.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 statewide agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified party above and is not intended to be and should not be used by anyone other than this specified party.

*Alante & Moran, PLLC*

Grand Rapids, Michigan

September 26, 2019