

THE FRIENDS OF KING SCHOOL
AUDIT OF FINANCIAL STATEMENTS
JUNE 30, 2020

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As of and For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

December 21, 2020

To the Board of Directors
The Friends of King School
New Orleans, Louisiana

We have audited the accompanying financial statements of The Friends of King School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses 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 The Friends of King School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of The Friends of King School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Friends of King School's internal control over financial reporting and compliance.

Hienz & Macaluso, LLP
Metairie, LA

**THE FRIENDS OF KING SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 7,882,840
Restricted cash	256,561
Grants receivable	1,355,235
Other receivables	4,592
Other assets	35,519
Total current assets	<u>9,534,747</u>

Property and Equipment:

Equipment	158,018
Vehicles	22,841
Accumulated depreciation	(145,289)
Total property and equipment, net	<u>35,570</u>

Total assets \$ 9,570,317

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 364,712
Salaries and benefits payable	912,746
Funds held on behalf of others	256,561
Notes payable - current	890,692
Total current liabilities	<u>2,424,711</u>

Notes payable - noncurrent 1,121,745

Total liabilities 3,546,456

Net assets:

Net assets without donor restrictions	5,538,962
Net assets with donor restrictions	484,899
Total net assets	<u>6,023,861</u>

Total liabilities and net assets \$ 9,570,317

**THE FRIENDS OF KING SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
State public school funding	\$ 4,267,235	\$ -	\$ 4,267,235
Local public school funding	6,407,713	-	6,407,713
Federal sources	699,265	1,234,434	1,933,699
Other state funding	537,145	-	537,145
Contributions and donations	41,442	-	41,442
Other income	180,773	-	180,773
Net assets released from restrictions	<u>1,372,545</u>	<u>(1,372,545)</u>	<u>-</u>
	<u>13,506,118</u>	<u>(138,111)</u>	<u>13,368,007</u>
Expenses:			
Program expenses	11,639,201	-	11,639,201
Management and general expenses	<u>3,420,791</u>	<u>-</u>	<u>3,420,791</u>
	<u>15,059,992</u>	<u>-</u>	<u>15,059,992</u>
Change in net assets	(1,553,874)	(138,111)	(1,691,985)
Net assets, beginning of year	<u>7,092,836</u>	<u>623,010</u>	<u>7,715,846</u>
Net assets, end of year	\$ <u>5,538,962</u>	\$ <u>484,899</u>	\$ <u>6,023,861</u>

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

**THE FRIENDS OF KING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES	SUPPORT SERVICES	Total Expenses
	Instructional	Management and General	
Expenses:			
Salaries	\$ 7,615,629	\$ 1,509,113	\$ 9,124,742
Employee benefits	752,787	160,600	913,387
Payroll taxes	541,722	132,139	673,861
Materials and supplies	722,300	151,435	873,735
Transportation	453,211	-	453,211
Professional services	496,736	253,490	750,226
Retirement	360,490	103,189	463,679
Food purchases	203,165	-	203,165
Utilities	270,957	67,739	338,696
Insurance	29,947	271,988	301,935
Administrative fee	-	209,664	209,664
Miscellaneous	70,800	502,828	573,628
Travel	95,972	14,874	110,846
Telephone and postage	24,572	5,334	29,906
Dues and fees	913	7,180	8,093
Depreciation	-	31,218	31,218
	<u>\$ 11,639,201</u>	<u>\$ 3,420,791</u>	<u>\$ 15,059,992</u>

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

**THE FRIENDS OF KING SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities	
Change in net assets	\$ (1,691,985)
Adjustments to reconcile change in net assets net cash used by operating activities:	
Depreciation	31,218
Decrease in grants receivable	55,166
Increase in other receivables	(4,592)
Increase in other assets	(9,124)
Increase in accounts payable	75,527
Increase in funds held on behalf of others	51,838
Increase in salaries and benefits payable	793,978
Net cash used by operating activities	<u>(697,974)</u>
 Cash Flows from Investing Activities	
Purchase of capital assets	<u>(23,357)</u>
Net cash used in investing activities	<u>(23,357)</u>
 Cash Flows from Financing Activities	
Proceeds from notes payable	<u>2,012,437</u>
Net cash provided by financing activities	<u>2,012,437</u>
 Net increase in cash and cash equivalents	<u>1,291,106</u>
 Cash and cash equivalents, beginning of year	<u>6,848,295</u>
 Cash and cash equivalents, end of year	<u>\$ 8,139,401</u>
 Cash and cash equivalents per the statement of financial position	
Cash and cash equivalents	\$ 7,882,840
Restricted cash	256,561
	<u>\$ 8,139,401</u>

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

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – Summary of Significant Accounting Policies

The Friends of King School (“the School”) was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2005 to operate a Type V public charter school d/b/a Dr. Martin Luther King, Jr. Charter School for Science and Technology (the “MLK School”). In 2012, the School was granted by BESE a charter to operate an additional Type V public charter school d/b/a Joseph A. Craig Elementary School (the “Craig School”). The School seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measures pupil progress toward stated goals; and participates in pupil assessment required by law, regulation and BESE policy. The School serves eligible students in pre-kindergarten through twelfth grade in New Orleans, Louisiana.

The mission of the School is to create and maintain an orderly, trusting environment where teaching and learning are innovative and exciting; where students are taught to read, write, compute, and think critically according to their fullest potential.

On July 1, 2011, the MLK School’s operating agreement renewal with the BESE went into effect. This allows the School to use the facilities and contents located at 1617 Caffin Avenue, New Orleans, Louisiana 70117, or any other locations that may be approved by the School and BESE. This agreement expired on June 30, 2015. On January 14, 2015, BESE approved the transfer of MLK School to the jurisdiction of the Orleans Parish School Board (OPSB) effective July 1, 2015 as a Type 3b charter. This agreement will expire on June 20, 2022. The School pays the OPSB on behalf of MLK School, an administrative fee amounting to 2% of all Minimum Foundation Program (MFP) revenue received

On July 1, 2012, the School entered into an operating agreement with BESE which allow the School to use the facilities and contents located at 1423 St. Philip Street, New Orleans, Louisiana 70116, or any other locations that may be approved by the School and BESE. Effective July 1, 2018, Joseph A. Craig School became a type 3b charter under the jurisdiction of the OPSB. This agreement expired on June 30, 2020 and was not renewed by the OPSB. The School pays the OPSB on behalf of the Craig School, an administrative fee amounting to 2% of all MFP revenue received.

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 have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The School 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.

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020 net assets with donor restrictions totaled \$484,899.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

The School utilizes the guidance in Accounting Standards Update (“ASU”) 2018-08 in the assessment of whether revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions.

Revenues from federal and state grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the School has met the performance requirements and/or incurred expenditures in compliance with certain grant provisions. Amounts received prior to incurring qualified expenditures are reported as refundable advances in the combining statement of financial position. The School recognized as revenue all funds related to these grants during the year ended June 30, 2020.

Property and Equipment

Property and equipment acquisitions greater than \$5,000 are recorded at historical cost or estimated historical cost if historical cost is not available. Depreciation is calculated using the straight line method with useful lives of 5 to 7 years. 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.

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

All assets acquired in whole or part with Orleans Parish School Board funds, are owned by the School while used in the purpose for which they were acquired. The Orleans Parish School Board however, has a reversionary interest in these assets. Should the charter not be renewed, revoked, surrendered, or terminated, any assets purchased with those funds will revert back to the Orleans Parish School Board.

For the year ended June 30, 2020, depreciation expense was \$31,218.

Income Taxes

The School is operating under Section 501(c) (3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School has considered all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Compensated Absences

All ten month employees accrue ten days of sick leave each year. All twelve month employees accrue twelve days of sick leave and ten days of vacation pay. Any unused vacation days are paid in the subsequent year. Upon termination, the School compensates employees for unused sick days not to exceed the days stipulated by the School's policies which range from 15 to 30 days depending on position.

New Accounting Pronouncement

In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU No. 2018-08 should assist entities in (1) evaluation whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for fiscal years beginning after December 15, 2018. The School has adopted the provisions of ASU No. 2018-08 effective July 1, 2019. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

NOTE 2 – Cash and cash equivalents

At June 30, 2020, cash consists of demand deposits in a local financial institution of \$7,882,840.

The School maintains cash accounts at a local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2020 cash deposits in excess of FDIC insured limits were approximately \$8 million. The School has

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – Cash and cash equivalents (Continued)

not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 3 – Grant and Other Receivables

At June 30, 2020, grants receivable totaled \$1,355,235 which consisted of federal, state and private grants. These receivables are considered fully collectible; therefore, management does not consider an allowance for doubtful accounts to be necessary.

NOTE 4 – Concentrations

The School received approximately 99% of its total revenues from Federal and State grantors.

All of the students of the School reside in the Greater New Orleans area.

NOTE 5 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the School expects any such amounts to be immaterial.

The School has offer letters as is standard in the field of education with most of the teachers which expired in May, 2020. Additionally, all offer letters provide for a minimum annual salary and other benefits.

NOTE 6 – Retirement Plan

Effective September 1, 2012, the School began sponsoring a defined contribution plan (the 403(b) Plan) covering all employees who make contributions to the Plan. The School may elect to make discretionary contributions to the Plan each year. Total expense for the year ended June 30, 2020 was \$463,679.

NOTE 7 – Board Members' Compensation

Board members are not compensated for their service; therefore, a schedule of board members' compensation is not presented.

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – Functional Expenses

As required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities, the School has presented a statement of functional expenses as part of its financial statements. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and employee benefits have been allocated based on time and effort. Materials and supplies, professional services, insurance, miscellaneous, travel and telephone and postage expenses have been allocated based on actual expenses.

NOTE 9 – Net Assets with Donor Restrictions

Net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for specific purposes are made. None of the net assets with donor restrictions are time restricted by donors.

Net assets with donor restrictions as of June 30, 2020 are available for the following purposes:

Instructional and other	<u>\$484,899</u>
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Net assets were released from restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2020:

Instructional and other	<u>\$1,372,545</u>
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NOTE 10 – Grant Revenues

For the year ended June 30, 2020, federal grant revenues consisted of the following:

National School Lunch Program	\$ 396,394
School Breakfast Program	129,789
Fresh Fruit and Vegetable Program	3,369
Title I Grants to Local Educational Agencies	833,998
Education Stabilization Fund	125,716
Special Education Grants	343,289
Title IV	59,569
Improving Teacher Quality State Grants	41,455
Career and Technical Education - Basic Grants to States	<u>120</u>
	<u>\$1,933,699</u>

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – Leases

The School operates under lease agreements with the OPSB for both of its campuses. The leases are classified as operating leases and were effective July 1, 2018 and extend through June 30, 2021. In consideration of the use of the premises, the School pays OPSB an annual use fee consisting of the per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled facilities participating in the program. The total use fee for the year ended June 30, 2020 was \$181,237.

NOTE 12 – Uncertain Income Taxes

On July 1, 2009, the School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

The School's tax returns through 2018 have been filed appropriately. As of the date of this report, the School has been approved for an extension to file their 2019 tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2016 through 2018. Management has evaluated the School's tax Positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 13 – Funds Held on Behalf of Others

The School acts as a custodian for student activity bank accounts. Funds held on behalf of these groups amounted to \$256,561 as of June 30, 2020, and are reported as both an asset (restricted cash) and a liability (funds held on behalf of others). Consequently, there is no effect on the School's net assets.

NOTE 14 – In-Kind Support

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2020 there were no non-cash contributions.

The School received rent-free use of property and equipment from the Orleans Parish School Board. The use of the property and equipment is not recorded as an in-kind contribution from Orleans Parish School Board as the value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction since both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – Risk Management

The School is exposed to various risks of loss from torts, theft and damage to assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims or unsettled claims that exceeded this commercial coverage during the year ended June 30, 2020.

NOTE 16 – Liquidity and Availability of Resources

At June 30, 2020, the School has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

Cash and cash equivalents	\$7,882,840
Grants receivable	\$1,355,235
Other receivables	<u>4,592</u>
	<u>\$9,242,667</u>

None of the assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The School's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. In addition, the School operates with a budget to monitor sources and uses of funds throughout the year.

NOTE 17 – Long-Term Debt

On April 17, 2020, the School entered into a U.S. Small Business Administration (SBA) Payroll Protection Program (PPP) loan with Liberty Bank in the amount of \$2,012,437. The loan bears interest at a rate of 1% per annum, with the first six months deferred, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP loan is subject to forgiveness to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP. To the extent that all or part of the PPP loan is not forgiven, the School will be required to pay interest at a rate of 1% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default, representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

THE FRIENDS OF KING SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 – Date of Management’s Review

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2020, and determined the following event occurred that requires disclosure. No subsequent events occurring after this date have been included for inclusion in these financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global and domestic economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the School's donors, students, employees and vendors, all of which are uncertain and cannot be predicted.

SUPPLEMENTARY INFORMATION

**THE FRIENDS OF KING SCHOOL
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020**

Agency Head Name: Dr. Velta Simms, Interim Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 107,000
Benefits - Employer Portion of Medicare and Social Security	8,860
Benefits - Other	4,231
Expense Reimbursement/Per Diem	226
PIP	2,769
	<u>\$ 123,086</u>

THE FRIENDS OF KING SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>CFDA Number</i>	<i>Federal Expenditures(\$)</i>
United States Department of Education		
(Passed through the Louisiana Department of Education)		
Title I Grants to Local Educational Agencies	84.010	\$833,998
Special Education Cluster (IDEA)		
Special Education Grants to States	84.027	336,962
Special Education - Preschool Grants	84.173	6,327
Total Special Education Cluster		<u>343,289</u>
Career and Technical Education Basic Grants to States	84.048	120
Improving Teacher Quality State Grants	84.367	41,455
Title IV A SSAE	84.424	59,569
Education Stabilization Fund	84.425	<u>125,716</u>
Total United States Department of Education		<u>1,404,147</u>
United States Department of Agriculture		
(Passed through the Louisiana Department of Education)		
Child Nutrition Cluster		
School Breakfast Program	10.553	129,789
National School Lunch Program	10.555	396,394
Total Child Nutrition Cluster		<u>526,183</u>
Fresh Fruit and Vegetable Program	10.582	<u>3,369</u>
Total United States Department of Agriculture		<u>529,552</u>
Total Expenditures of Federal Awards		<u><u>\$1,933,699</u></u>

The accompanying notes are an integral part of this schedule.

THE FRIENDS OF KING SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Friends of King School (the School) under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

NOTE C – Relationship to Financial Statements

Federal awards are included in federal sources in the statement of activities for the year ended June 30, 2020.

NOTE D – De Minimis Cost Rate

During the year ended June 30, 2020, the School did not elect to use the 10% De Minimis cost rate covered in §200.414 of the Uniform Guidance.



**INDEPENDENT AUDITOR’S 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***

December 21, 2020

To the Board of Directors
The Friends of King School
New Orleans, 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 Friends of King School (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Friends of King 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 Friends of King School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Friends of King 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLP
Metairie, LA



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

December 21, 2020

To the Board of Directors
The Friends of King School
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited The Friends of King School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Friends of King School's major federal programs for the year ended June 30, 2020. The Friends of King School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, The Friends of King School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of The Friends of King School 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 The Friends of King School'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 Friends of King School'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.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLP
Metairie, LA

THE FRIENDS OF KING SCHOOL
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of The Friends of King School.
2. No control deficiencies were disclosed during the audit of the financial statements of The Friends of King School.
3. No instances of noncompliance material to the financial statements of The Friends of King School.
4. No control deficiencies relating to the audit of internal control over major federal award programs are reported on the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for The Friends of King School expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings which are required to be reported by the Uniform Guidance.
7. The programs tested as major programs include:

	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. The Friends of King School was determined to be a low-risk auditee.

B. Financial Statement Findings and Questioned Costs

There were no financial statement findings or questioned costs for the year ended June 30, 2020.

C. Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended June 30, 2020.

D. Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2020.

**THE FRIENDS OF KING SCHOOL
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

E. Other Matter

Alleged Ethics Violations

In June 2020, the Louisiana State Board of Ethics filed charges alleging that a board member and three additional employees violated the Louisiana Code of Governmental Ethics. According to Louisiana Revised Statute (LRS) 17:3996(B)(20), the School is subject to the Louisiana Code of Governmental Ethics (specifically as it relates to the hiring of immediate family members) because Friends of King, Inc. agreed in its charter contract to comply with the terms of the code. If they are found to be in violation of the State ethics laws, it could result in fines/penalties being assessed against the employees. By law, no charges could have been filed against Friends of King, Inc. or Friends of King School District and, therefore, no fines are being assessed against those entities.

THE FRIENDS OF KING SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no prior year findings.

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

There were no prior year findings.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2019.



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

December 21, 2020

To the Board of Directors
The Friends of King School
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of The Friends of King School; the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of The Friends of King School for the fiscal year ended June 30, 2020; 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) Bulletin; in compliance with Louisiana Revised Statute 24:514. Management of The Friends of King School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

**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 for among the following amounts reported on the schedule:

- ❖ Total General Fund Instructional Expenditures
- ❖ Total General Fund Equipment Expenditures
- ❖ Total Local Taxation Revenues
- ❖ Total Local Earnings on Investment in Real Property
- ❖ Total State Revenue in Lieu of Taxes
- ❖ Nonpublic Textbook Revenue
- ❖ Nonpublic Transportation Revenue

Findings: 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 ten classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None

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

3. We obtained October 1st 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.

Findings: None

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th 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).

Findings: 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 standards contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. 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 Friends of King School, as required by Louisiana Revised Statute 24:514.1, and the results 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 Legislative Auditor as a public document.

Pierson & Macaluso, LLP
Metairie, LA

THE FRIENDS OF KING SCHOOL
New Orleans, Louisiana

Schedule 1

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2020**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 3,677,910	
Other Instructional Staff Activities	722,528	
Instructional Staff Employee Benefits	1,091,183	
Purchased Professional and Technical Services	52,752	
Instructional Materials and Supplies	148,131	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$ 5,692,504
Other Instructional Activities		43,936
Pupil Support Activities	550,548	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		550,548
Instructional Staff Services	561,569	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		561,569
School Administration	2,333,165	
Less: Equipment for School Administration	14,537	
Net School Administration		2,318,628
Total General Fund Instructional Expenditures (Total of Column B)		\$ 9,167,185
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$ 14,537
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		\$ -
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue		\$ -
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		\$ -
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		\$ -
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		\$ -
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		\$ -
Nonpublic Textbook Revenue		\$ -
Nonpublic Transportation Revenue		\$ -

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

THE FRIENDS OF KING SCHOOL

New Orleans, Louisiana

Class Size Characteristics**As of October 1, 2019**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	15%	40	18%	14	18%	4	0%	-
Elementary Activity Classes	0%	1	3%	2	5%	1	0%	-
Middle/Jr. High	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	79%	218	78%	61	77%	17	0%	-
Combination Activity Classes	6%	16	1%	1	0%	-	100%	4
Totals	100%	275	100%	78	100%	22	100%	4

See Independent Accountant's Report on Applying Agreed-Upon Procedures.