

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2018

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2018

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

TABLE OF CONTENTS

June 30, 2018

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Statements of Financial Position	A	3
Statements of Activities	B	4
Statements of Cash Flows	C	5
Notes to Financial Statements	D	6
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedules of Functional Expenses	1	13
Schedule of Compensation, Benefits and Other Payments to Agency Head	2	15
REPORT ON INTERNAL CONTROL AND COMPLIANCE		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		16
Schedule of Findings and Responses		18
Summary of Findings and Responses		19
Summary of Prior Year Findings and Responses		20

(continued)

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

	<u>Schedule</u>	<u>Page</u>
Independent Accountants' Report on Applying Agreed-upon Procedures		21
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	B-1	25
Class Size Characteristics	B-2	26
Management's Responses to R.S. 24:514 - Performance and Statistical Data Agreed-upon Procedures Exceptions		27



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a non-profit organization) (the School) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LOUISIANA KEY ACADEMY** as of June 30, 2018 and 2017, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses and Schedule of Compensation, Benefits and Other Payments to Agency Head on pages 13 to 15, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included on pages 25 through 26, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). We have applied limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon-Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 28, 2018

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

(See Independent Auditors' Report)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 594,422	\$ 341,133
Receivables:		
Grants	22,403	14,671
Current portion of unconditional promises to give	125,000	175,000
Other	147	5,331
Prepaid and other	<u>12,427</u>	<u>44,585</u>
Total current assets	754,399	580,720
UNCONDITIONAL PROMISES TO GIVE	25,000	150,000
PROPERTY, net	<u>2,260,657</u>	<u>2,459,116</u>
Total assets	<u>\$ 3,040,056</u>	<u>\$ 3,189,836</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$ 37,037	\$ 41,268
Accrued expenses	65,865	42,082
Lines of credit	<u>902,219</u>	<u>1,222,522</u>
Total current liabilities	<u>1,005,121</u>	<u>1,305,872</u>

NET ASSETS

Unrestricted	1,809,054	1,541,464
Temporarily restricted	<u>225,881</u>	<u>342,500</u>
Total net assets	<u>2,034,935</u>	<u>1,883,964</u>
Total liabilities and net assets	<u>\$ 3,040,056</u>	<u>\$ 3,189,836</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2018 and 2017

(See Independent Auditors' Report)

	2018			2017		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT						
Grants:						
MFP	\$ 4,153,514	\$ -	\$ 4,153,514	\$ 3,498,527	\$ -	\$ 3,498,527
Federal grants	261,277	-	261,277	166,783	-	166,783
State and local grants	205,976	-	205,976	130,700	-	130,700
Contributions and events	51,719	96,237	147,956	125,161	687,500	812,661
Food and other	60,616	-	60,616	53,167	-	53,167
Total revenues and support	4,733,102	96,237	4,829,339	3,974,338	687,500	4,661,838
Changes in net asset restrictions:						
Released from restrictions	212,856	(212,856)	-	381,497	(381,497)	-
Total revenues, support and net assets released from restrictions	4,945,958	(116,619)	4,829,339	4,355,835	306,003	4,661,838
EXPENSES						
Instructional	2,989,887	-	2,989,887	2,385,912	-	2,385,912
Operations and maintenance	678,761	-	678,761	519,513	-	519,513
Food services	184,680	-	184,680	150,584	-	150,584
General and administrative	825,040	-	825,040	819,348	-	819,348
Total expenses	4,678,368	-	4,678,368	3,875,357	-	3,875,357
Change in net assets	267,590	(116,619)	150,971	480,478	306,003	786,481
NET ASSETS						
Beginning of year	1,541,464	342,500	1,883,964	1,060,986	36,497	1,097,483
End of year	\$ 1,809,054	\$ 225,881	\$ 2,034,935	\$ 1,541,464	\$ 342,500	\$ 1,883,964

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

(See Independent Auditors' Report)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 150,971	\$ 786,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	198,459	154,837
Change in operating assets and liabilities:		
Receivables	172,452	(297,938)
Prepaid and other	32,158	(28,246)
Accounts payable and accrued liabilities	<u>19,552</u>	<u>5,382</u>
Net cash provided by operating activities	<u>573,592</u>	<u>620,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(55,364)
Payments on construction in progress	<u>-</u>	<u>(925,204)</u>
Net cash used by investing activities	<u>-</u>	<u>(980,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	-	575,000
Repayments of lines of credit	<u>(320,303)</u>	<u>(250,000)</u>
Net cash (used) provided by financing activities	<u>(320,303)</u>	<u>325,000</u>
Net increase (decrease) in cash	253,289	(35,052)
CASH		
Beginning of year	<u>341,133</u>	<u>376,185</u>
End of year	<u>\$ 594,422</u>	<u>\$ 341,133</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 48,172</u>	<u>\$ 38,582</u>

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Louisiana Key Academy (the School) was incorporated on June 18, 2012, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the Louisiana Department of Education as a Type 2 charter school with a contract term from July 1, 2014 through June 30, 2018, and may be extended for a maximum term of ten years, contingent upon the results of the School's operations and compliance with regulatory and contractual requirements after the completion of the fourth year of operation. The contract was renewed for three years on July 1, 2018 and expires on June 30, 2021. The School is a public, tuition free, primary charter school for dyslexic students in first through fourth grade, and increased to the sixth grade for the 2017-2018 school year.

Financial statement presentation

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

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

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

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintain the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2018 or 2017.

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

Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

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

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

Fair value financial instruments

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

Cash

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

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. The School had no receivables outstanding for longer than 90 days June 30, 2018 and 2017, respectively. Unconditional promises to give are recorded at present value.

Property

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Personal time off

The School's policy states that full-time regular, salaried employees with at least one month of service are awarded the benefit of personal time off (PTO). PTO may be carried forward from year to year, although no more than 15 days of accrued PTO will be considered for payout in the event of an employee separation from the School. PTO is awarded as follows:

Employee Service Lives	PTO Days Per Year	
	Instructional Personnel	Administrative and Program Coordinators
One month but less than one year	5	5
One year or more	10	10
Annual carryover limit	Unlimited	Unlimited

A PTO liability of \$57,824 and \$7,060 has been recorded at June 30, 2018 and 2017, respectively, and recorded as accrued liabilities.

Tax-exempt status

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

The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The School's open audit periods are 2014 through 2018.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give are recorded at present value. At June 30, 2018 and 2017, the value of promises to give are as follows:

	2018	2017
Receivable in less than one year	\$ 125,000	\$ 175,000
Receivable in one to five years	25,000	150,000
Total	\$ 150,000	\$ 325,000

NOTE 3 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2018 and 2017 were as follows:

	Estimated Service Lives	2018	2017
Leasehold improvements	15	\$ 2,778,972	\$ 2,778,972
Playground equipment	10	83,278	83,278
Equipment	5 - 7 years	28,457	28,457
		2,890,707	2,890,707
Less accumulated depreciation		(630,050)	(431,591)
Property and equipment, net		\$ 2,260,657	\$ 2,459,116

Depreciation expense was \$198,459 and \$154,837 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 - LINES OF CREDIT

The School has a revolving line of credit with a borrowing limit of \$900,000 as of June 30, 2018. Interest is payable monthly at a rate of LIBOR plus 2.25%, which was 4.34% and 3.419% at June 30, 2018 and 2017, respectively. The outstanding balance on the line of credit was \$682,219 and \$772,522 at June 30, 2018 and 2017, respectively. This debt is secured by marketable securities held in the name of a local supporter.

The School has an additional revolving line of credit with a borrowing limit of \$575,000. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 5.00% and 4.25%, plus 1.00%, which was 6.00% and 5.25% at June 30, 2018 and 2017, respectively. The outstanding balance on the line of credit was \$220,000 and \$450,000 as of June 30, 2018 and 2017, respectively. This line of credit expired October 2018 and was renewed with a credit limit of \$100,800 with a maturity date of November 2020. This debt is secured by certificates of deposit held in the name of local supporters at the financial institution.

The School has a third revolving line of credit with a borrowing limit of \$250,000 with a maturity date of February 2019. Interest is payable monthly at a rate of prime interest rate published in the money rate section of the Wall Street Journal Prime Rate of 5.00%, plus 2.00%, which was 7.00% at June 30, 2018. The School does not have an outstanding balance on this line of credit as of June 30, 2018. This debt is secured by certificates of deposit held in the name of local supporters at the financial institution.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

During 2018 and 2017, changes in temporarily restricted net assets were as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
Capital Campaign - Renovations	\$ 330,000	\$ 1,537	\$ 176,537	\$ 155,000
Summer Pilot Program	-	47,500	-	47,500
STEM	12,500	-	-	12,500
Drama Program	-	15,000	6,512	8,488
Classroom furniture	-	1,200	-	1,200
Technology Program	-	30,000	28,927	1,073
Courtyard renovation	-	1,000	880	120
	<u>\$ 342,500</u>	<u>\$ 96,237</u>	<u>\$ 212,856</u>	<u>\$ 225,881</u>

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

NOTE 6 - CONCENTRATIONS

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

	Revenue	
	2018	2017
State and local grants	92%	78%
Contributions	1%	17%
Federal grants	6%	4%
Other	1%	1%
Total	<u>100%</u>	<u>100%</u>

NOTE 7 - COMMITMENTS

Building Lease

The School has entered into a lease agreement for school space expiring July 1, 2023. The annual rental rate is \$4 per square foot with increase of \$0.50 per square foot each August. Lease payments are based on 26,809 square feet of occupancy of the premises. Additionally, the rental payment each month will include \$3,220 of common area expenses for maintenance, taxes and insurance. Rental expense under the lease for 2018 and 2017 was \$169,433 and \$164,087 annually.

The future operating lease agreement commitments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 132,928
2020	146,332
2021	159,737
2022	173,141
2023	174,259
Total	<u>\$ 786,398</u>

Technology and Technology Service Agreement

In May of 2013, the School entered into a service agreement related to servicing of its IT equipment and network. The lease term ended July 31, 2015 and was extended for an additional 24 months. The service agreement was again extended for twelve months effective August 1, 2017. The School elected to terminate the service agreement and move to a month-to-month agreement. The expense relating to this IT service agreement was approximately \$69,700 and \$51,600 for 2018 and 2017, respectively.

Suits and Claims

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

NOTE 8 - PENSION PLAN

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$18,500 annually for calendar year 2018. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable. The School makes contributions to the Plan for employees with a written employment contract and in the amount stipulated by the contract, which is in accordance with the plan document. Contributions by the School totaled \$65,953 and \$66,826 for 2018 and 2017, respectively.

NOTE 8 - PENSION PLAN (CONTINUED)

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

NOTE 9 - FUND RAISING INCOME AND EXPENSES

The funds raised by the School's gala are included in operations and totaled \$22,741. The expenses attributable to the annual gala was \$38,856 for 2018 and are included in advertising and fundraising expense on the Schedule of Functional Expenses. There were no fundraising activities for 2017.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 28, 2018, which was the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	<u>Function</u>				<u>Totals</u>
	<u>Instructional</u>	<u>Operations and Maintenance</u>	<u>Food Services</u>	<u>General and Administrative</u>	
Salaries and wages	\$ 2,170,819	\$ -	\$ -	\$ 332,145	\$ 2,502,964
Payroll taxes	159,099	-	-	23,577	182,676
Retirement contributions	44,330	-	-	21,623	65,953
Insurance	331,793	-	-	120,660	452,453
Materials and supplies	166,270	21,092	-	42,547	229,909
Depreciation	-	198,459	-	-	198,459
Food and beverage	-	-	184,680	-	184,680
Professional services	12,170	2,669	-	161,535	176,374
Rent	-	169,433	-	-	169,433
Repairs and maintenance	-	143,679	-	-	143,679
Technology	-	91,540	-	5,355	96,895
Utilities	-	51,889	-	17,086	68,975
Interest	-	-	-	48,455	48,455
Professional development	48,585	-	-	-	48,585
Nurse and psychologist	43,799	-	-	-	43,799
Advertising and fundraising	-	-	-	41,959	41,959
EBRPS administrative fee	3,727	-	-	-	3,727
Dues and subscriptions	-	-	-	1,015	1,015
Other	9,295	-	-	9,083	18,378
Total expenses	<u>\$ 2,989,887</u>	<u>\$ 678,761</u>	<u>\$ 184,680</u>	<u>\$ 825,040</u>	<u>\$ 4,678,368</u>

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

For the year ended June 30, 2018

Agency Head: Heather Bourgeois, Principal

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 96,300
Benefits - insurance	8,108
Benefits - retirement	3,000
Reimbursements	<u>223</u>
	<u>\$ 107,631</u>

See Independent Auditors' Report

Report on Internal Control and Compliance

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA KEY ACADEMY** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001, which we consider to be a significant deficiency.

Compliance and Other Matters

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

Louisiana Key Academy's Responses to Findings

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

Purpose of this Report

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

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

Faull & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 28, 2018

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2018

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) A significant deficiency in internal control was disclosed by the audit of financial statements: **2018-001.**

Material weaknesses: **None**

- C) Noncompliance that is material to the financial statements: **None**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2018-001.**

3) Findings – Financial Statement Audit

2018-001 Lack of Segregation of Duties

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

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

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

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

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

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

Views of responsible officials and corrective action plan: Management intends to pursue segregation of responsibilities for personnel assigned to prepare and approve transactions.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2018

2017-1 Lack of Segregation of Duties

Observation: This matter has been reclassified to Item 2018-001.

2017-2 Public Bid Law

Observation: This matter is considered resolved.



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

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

Dear Board Members:

We have performed the procedures enumerated below, which were agreed to by the management of **LOUISIANA KEY ACADEMY** (the Academy), and the Louisiana Legislative Auditor, on the performance and statistical data accompanying the annual financial statements of the Academy as of June 30, 2018 and to determine whether the specified schedules are free of obvious errors and omissions as required by the Board of Elementary and Secondary Education (BESE) Bulletin. The Academy's management is responsible for its performance and statistical. 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.

Our procedures and associated findings are as follows:

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

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

Exceptions Noted: None.

Schedule B-2: Class Size Characteristics

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 1st roll books for those classes and observed that the class was properly classified on the schedule.

Exceptions Noted: None.

Education Levels/Experience of Public School Staff

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing provided 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 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: We were unable to perform this procedure as the data utilized to submit the information to PEP was unavailable.

Public School Staff Data: Average Salaries

4. We obtained June 30 the PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent, 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 determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Exceptions Noted: We were unable to perform this procedure as the data utilized to submit the information to PEP was unavailable.

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 *Governmental Auditing Standards*, issued by the United States Comptroller General. We were not engaged to, and did not, perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on 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.

(continued)

This report is intended solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Academy, as required by Louisiana Revised Statute 24: 5141.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.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 28, 2018

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

Schedule B-2 - 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 KEY ACADEMY

Baton Rouge, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the year ended June 30, 2018

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

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,551,625	
Other Instructional Staff Activities	336,770	
Instructional Staff Employee Benefits	556,619	
Purchased Professional and Technical Services	17,830	
Instructional Materials and Supplies	167,645	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities		2,630,489

Other Instructional Activities

-

Pupil Support Activities

-

Less: Equipment for Pupil Support Activities

-

Net Pupil Support Activities

-

Instructional Staff Services

20,209

Less: Equipment for Instructional Staff Services

-

Net Instructional Staff Services

20,209

School Administration

599,213

Less: Equipment for School Administration

-

Net School Administration

599,213

Total General Fund Instructional Expenditures

\$ 3,249,911

Total General Fund Equipment Expenditures

\$ -

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
Total Local Taxation Revenue		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-	
Earnings from Other Real Property	-	
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
Total State Revenue in Lieu of Taxes		\$ -

Nonpublic Textbook Revenue

\$ -

Nonpublic Transportation Revenue

\$ -

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Class Size Characteristics

As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	100%	24	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

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



LOUISIANA KEY ACADEMY
Educating Students with Dyslexia

December 26, 2018

To Whom it May Concern:

Due to turnover experienced in the 2017-2018 fiscal year, management was unable to locate source data that was utilized when reporting teacher education levels, experience of school staff, and average salary data.

Management intends to ensure that this data is retained with other financial and statistical data under the records retention policy of the academy.

Sincerely,

Heather Bourgeois, M. Ed.
Principal
Louisiana Key Academy

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2018



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

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

We have performed the procedures enumerated below, which were agreed to by Louisiana Key Academy (the Academy) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Academy's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - 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, 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. Note: Ethics requirements are not applicable to nonprofits.
- j. *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b. Observe whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

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

Bank Reconciliations

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

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a. Observe that the disbursement matched the related original invoice/billing statement.
 - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

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

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service (excluding nonprofits)

Items 21-22 are not applicable to non-profits.

Other

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

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF EXEPTIONS

For the year ended June 30, 2018

Exceptions:

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

Written Policies and Procedures:

The Academy's written policies and procedures do not address budgeting, purchasing, disbursements, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics, and debt services, except as follows:

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

1 (i) Ethics – The Academy's written policies and procedures over ethics address actions to be taken if ethic violations take place and systems to monitor ethic violations, but the policy does not address prohibition as defined in Louisiana Revised Status 42:1111-1121. Also, employees are not required to annually attest through signature verification that they have ready the entity's ethics policy.

Board:

2 (a) The Board did not meet in September 2017 or January, April, and June 2018. However, based on the Academy's bylaws, the Board is only required to meet at least 4 times annually, but are encouraged to meet monthly. Quorum occurred at each board meeting held within the current fiscal year.

2 (b) The minutes do not reference monthly budget to actual comparison.

Collections:

5 (a) The Academy's written policies and procedures do not address sharing cash drawers with other employees.

5 (b) The Academy's written policies and procedures do not address that each employee responsible for collection cash is not responsible for preparing/making bank deposits.

5 (c) The Academy's written policies and procedures do not address which employees collect cash, make cash bank deposits, record the transaction and reconcile the related bank accounts.

5 (d) The Academy's written policies and procedures do not address which employees reconcile cash collections to the general ledger or subsidiary ledgers.

7 (d) Of the five deposits tested, four deposits were made more than one business day after the receipt of the collection. The Academy's policy is that deposits of cash collections must be within one week of the receipt of the collection.

Non-Payroll Disbursements:

9 (a) Of the 25 disbursements selected for testing, thirteen disbursements did not have the appropriate requisition/purchase order documentation.

9 (c) The Academy does not have written policies and procedures that prohibits the employee responsible for processing payments from adding vendors into the disbursement system.

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

There were two active cards during the fiscal year, therefore the one monthly statement was selected for each card.

12 (a) Of the 20 transactions selected for testing, ten transactions did not contain evidence that the transaction was reviewed and approved by someone other than the authorized card user.

12 (e) Of the 20 transactions selected for testing, thirteen transactions did not have documentation of the business purpose.

Travel and Travel-Related Reimbursements:

No exceptions noted.

Contracts:

No exceptions noted.

Payroll and Personnel:

No exceptions noted.

Ethics:

The category was not included for the fiscal year ended June 30, 2018 as no exceptions were noted during the agreed upon procedures engagement for the fiscal year ended June 30, 2017.

Debt Service:

This category is not applicable for not for profit entities.

Other:

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

Management's Response

The Board of Louisiana Key Academy concurs with the exceptions and are working to address the exceptions identified.

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

(continued)

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

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 28, 2018