OPERATION SPARK

Audit of Financial Statements

October 31, 2024

LaPorte
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Operation Spark (the Organization), which comprise the statement of financial position as of October 31, 2024, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of October 31, 2024, 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.

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

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the United States Department of Education Composite Score Worksheet and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2025 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Covington, LA
March 19, 2025

OPERATION SPARK
Statement of Financial Position
October 31, 2024

Assets		
Current Assets		
Cash and Cash Equivalents	$	993,734
Certificates of Deposit		568,744
Grants and Contributions Receivable		83,125
Federal and State Grants Receivable		90,953
Student Placement Fees Receivable		30,979
Program Tuition Receivable, Less Allowance for Credit Losses of $109,488		425,770
Prepaid Expenses		14,473
Total Current Assets		2,207,778
Fixed Assets		
Computer Equipment		218,731
Furniture and Fixtures		97,957
Leasehold Improvements		364,200
Accumulated Depreciation		(282,515)
Total Fixed Assets, Net		398,373
Other Assets		
Right-of-Use Asset, Operating Lease		100,263
Security Deposit		7,319
Total Other Assets, Net		107,582
Total Assets	$	2,713,733
Liabilities		
Accounts Payable	$	16,361
Credit Card Payable		12,323
Deferred Revenue		151,524
Operating Lease Liability		100,994
Total Current Liabilities		281,202
Operating Lease Liability, Net of Current Portion		-
Total Liabilities		281,202
Net Assets		
Without Donor Restrictions		2,205,935
With Donor Restrictions		226,596
Total Net Assets		2,432,531
Total Liabilities and Net Assets	$	2,713,733

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

OPERATION SPARK
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Tuition Revenue			
Adult Program Fees	$ 442,690	$ -	$ 442,690
High School Program Fees	256,035	-	256,035
Less: Scholarships and Tuition Assistance Awarded	(61,375)	-	(61,375)
Total Tuition Revenue, Net	637,350	-	637,350
Other Program Income			
Student Placement Fees	144,686	-	144,686
Total Tuition and Program Income	782,036	-	782,036
Grants and Contributions			
Federal and State Grants	577,699	-	577,699
Private Grants and Contributions	236,081	-	236,081
Technical Training Grants	447,763	-	447,763
Net Assets Released from Restrictions	93,854	(93,854)	-
Total Grants and Contributions	1,355,397	(93,854)	1,261,543
Employee Retention Credit	419,735	-	419,735
Interest Income	28,631	-	28,631
Other Income	35,432	-	35,432
Total Revenue and Support	2,621,231	(93,854)	2,527,377
Expenses			
Program Services - Educational Services	2,014,136	-	2,014,136
Management and General	508,402	-	508,402
Fundraising and Membership Development	43,146	-	43,146
Total Expenses	2,565,684	-	2,565,684
Change in Net Assets	55,547	(93,854)	(38,307)
Net Assets, Beginning of Year	2,150,388	320,450	2,470,838
Net Assets, End of Year	$ 2,205,935	$ 226,596	$ 2,432,531

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

OPERATION SPARK
Statement of Functional Expenses
For the Year Ended October 31, 2024

	Program Services	Supporting Services		
	Educational Services	Management and General	Fundraising and Membership Development	Total
Salaries and Wages	$ 1,452,705	$ 245,877	$ 38,441	$ 1,737,023
Occupancy	93,636	57,390	-	151,026
Payroll Taxes	103,845	17,576	2,748	124,169
Subcontractors	111,164	-	-	111,164
Professional Fees	10,301	89,089	-	99,390
Health Insurance	59,690	10,103	1,580	71,373
Depreciation	42,056	25,776	-	67,832
Assistance Grants	48,730	-	-	48,730
Utilities	10,210	14,374	-	24,584
Technology	20,206	3,279	-	23,485
Office	2,519	15,964	-	18,483
Workers' Compensation	14,262	2,414	377	17,053
Dues	6,281	7,837	-	14,118
Repairs	5,284	7,648	-	12,932
Merchant Fees	9,624	305	-	9,929
Travel	5,929	1,625	-	7,554
Meals	7,271	175	-	7,446
General Insurance	-	7,240	-	7,240
Marketing	5,385	1,691	-	7,076
Bad Debt	5,038	-	-	5,038
Bank Charges	-	39	-	39
Total Expenses	$ 2,014,136	$ 508,402	$ 43,146	$ 2,565,684

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

OPERATION SPARK
Statement of Cash Flows
For the Year Ended October 31, 2024

Cash Flows from Operating Activities		
Change in Net Assets	$	(38,307)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation		67,832
Bad Debt Expense, Net		5,038
(Increase) Decrease in Operating Assets		
Grants and Contributions Receivable		51,875
Federal and State Grants Receivable		254,593
Student Placement Fees Receivable		38,151
Tuition Receivable		(101,950)
Prepaid Expenses		(328)
Security Deposit		(669)
Right-of-Use Asset, Operating Lease		144,892
Increase (Decrease) in Operating Liabilities		
Accounts Payable		(22,102)
Credit Card Payable		1,500
Accrued Compensation and Employee Related Obligations		(2,279)
Deferred Revenue		81,037
Operating Lease Liability		(144,689)
Net Cash Provided by Operating Activities		334,594
Cash Flows from Investing Activities		
Purchase of Certificates of Deposit, Net		(568,744)
Purchase of Fixed Assets		(202)
Net Cash Used in Investing Activities		(568,946)
Net Decrease in Cash and Cash Equivalents		(234,352)
Cash and Cash Equivalents, Beginning of Year		1,228,086
Cash and Cash Equivalents, End of Year	$	993,734
Supplemental Disclosures of Non-Cash Transactions		
Recognition of Right-of-Use Assets - Operating Leases Under ASC 842	$	-
Operating Lease Liabilities Arising from Obtaining Right-of-Use Assets	$	-

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

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Operation Spark (the Organization) (a Louisiana non-profit organization) teaches the fundamentals of software development to disconnected youth to help them prepare for careers in software development. Most students are low-income, out of school, and unemployed. Operation Spark was formed in 2014 after a pilot project that was developed and conducted at youth community centers around New Orleans. Through various programs, the objectives are aimed at providing access and literacy in software creation.

Operation Spark's major program service areas included in its Educational Services programs are as follows:

High School to High Wage - The high school program is available for juniors and seniors in New Orleans public schools, Baton Rouge public schools, and neighboring parishes. Its primary goal is to offer low-income students, who too often lack the resources to be successful in college, an alternative path to post-secondary education. The program runs on a semester basis with the classes offered four nights a week.

Bootcamp - This program presents life as a professional software developer in 5 weeks, introducing students to the daily workflow of building software in a professional environment. By the end of class, the participants are on their way to being super users with the command-line and leave literate in the basics of JavaScript after building several apps and games in Node.js and HTML5. They can debug an app and problem solve on the internet and know where to find the resources to continue learning on their own or in teams. They also learn the soft skills that make them a great team player.

Immersion - The Immersion program brings students to the level of full-stack software engineer after three months of focusing on nothing but writing software for 11 hours a day, 6 days a week. Operation Spark partnered with the best code school in the United States, Hack Reactor, to bring its highly successful education model to New Orleans. This three-month immersion experience is more rigorous and time-consuming than most educational programs or full-time jobs. The three-month course teaches students how to think like a software engineer, build production-grade web applications, and utilize a broad array of computer programming tools. Throughout the program, the Organization works together with students' job search in mind. By graduation, they have a portfolio of projects, technical interview experience, a personal site, LinkedIn profile, and resume. Armed with a highly employable skill set by the end of the course, with over 900 hours of instruction, students are prepared to enter the Louisiana workforce.

Student Placement - The Organization contracts with companies to provide software consulting services, utilizing subcontracted students who have graduated from the Organization's Immersion program, often while the students are pursuing full-time employment.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements of the Organization. The financial statements and notes are representations of the Organization's management, who is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization reports 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 Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for programmatic purposes are excluded from this definition.

Tuition Receivables, Student Placement Fee Receivables, and Credit Policies

Prior to November 1, 2023, tuition receivables and student placement fee receivables were carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determined the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable were written off when deemed uncollectable. Recoveries of accounts receivable previously written off were recorded when received.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Tuition Receivables, Student Placement Fee Receivables, and Credit Policies (Continued)

Effective November 1, 2023, the Organization carries its accounts receivables net of an allowance for credit losses. The measurement and recognition of credit losses involves the use of judgment. Management's assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Organization's customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, and customer creditworthiness. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Organization's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. The Organization may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate. The Organization recorded net bad debt expense totaling $5,038 during the year ended October 31, 2024. The Organization recorded an allowance for credit losses as of October 31, 2024 totaling $109,488.

Grants and Contributions Receivable

The Organization records grants and contributions expected to be collected within one year at net realizable value. Grants and contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities and changes in net assets. The Organization determines the allowance for uncollectable grants and contributions based on historical experience and a review of subsequent collections. Grants and contributions are written off when deemed uncollectable. The Organization had no allowance for uncollectable grants and contributions and all grants and contributions are due within one year as of October 31, 2024.

Fixed Assets

The Organization records fixed asset additions over $500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful life of five to seven (5 to 7) years for computers, furniture, and fixtures, and fifteen (15) years for leasehold improvements. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation expense totaled $67,832 for the year ended October 31, 2024.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Exchange vs. Contribution

The Organization utilizes the guidance from Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to educational and training efforts. The Organization measures the performance obligation throughout the fiscal year. Revenue for performance obligations satisfied at a point in time are recognized when events, services, or goods are provided. The Organization determines the transaction price based on standard charges for goods or services provided to customers, which are predetermined by management.

Tuition Revenue - Adult Program Fees and High School Program Fees

Tuition revenue is recognized when earned. Tuition received in advance is deferred to the applicable period in which the related services are performed. Program revenue related to “High School to High Wage” is classified as high school program fees on the statement of activities and changes in net assets. Program revenue related to “Bootcamp” and “Immersion” is classified as adult program fees on the statement of activities and changes in net assets. Receivables from all programs are classified as tuition receivable on the statement of financial position.

The Organization uses the output measure for revenue recognition of adult program fees and high school program fees, which means the revenue is recognized pro-rata over each instructional course as performance obligations associated with the delivery of educational services are provided. A contract is entered into with a student or a school and covers a course, or collection of courses, over an expected period of time. The Organization determined there are no costs that are capitalized to obtain or fulfill these contracts with a student. Revenue recognition begins once a student starts attending a course. Any registration and other fees that do not relate to instruction are recognized when no longer refundable. The Organization’s receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are not recorded until students have begun a course and the revenue recognition has commenced.

The Organization maintains a tuition refund policy, which provides for all or a portion of tuition and program fees to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none, of the tuition and program fees are refundable, then in accordance with its revenue recognition policy, the Organization continues to recognize the tuition and program fees that were not refunded pro-rata over the applicable period of instruction.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Tuition Revenue - Adult Program Fees and High School Program Fees (Continued)

The Organization's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statement of financial position. Adult program fees and high school program fees received in advance of services to be rendered are also recorded as deferred revenue.

Scholarships and Tuition Assistance

Program tuition revenues are reported net of scholarships and tuition assistance in the statement of activities and changes in net assets. Scholarships and tuition assistance are the difference between the stated charge for goods and services provided by the Organization and the amount that is paid by students and/or third parties making payments on the student's behalf.

Student Placement Fees

The Organization recognizes student placement fees revenue at the time the subcontracted graduate students and the Organization perform certain software consulting services for the customer, which is considered to be the performance obligation. The performance of the services is billed monthly based on graduate student time incurred.

The Organization has the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on performance to date. Accordingly, the Organization has adopted the right-to-invoice practical expedient under FASB Accounting Standards Codification (ASC) Topic 606 whereby revenue is calculated and recognized on these contracts in the amount to which the Organization has a right to invoice for the services performed (an output method utilizing a practical expedient).

Grants and Contributions

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

<u>Federal and State Grants</u>
Individual federal and state grant arrangements are evaluated to determine whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. For federal and state grant arrangements that are reciprocal, revenue is recognized as services are provided, which is generally as allowable expenditures are incurred.

Donated Services and In-Kind Donations

Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, if the services: a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are recorded at the respective fair value at the date of the donation. Members of the Board of Directors volunteer their time to assist in governance of the Organization. Additionally, members of the community volunteer their time in mentoring students. Neither of these meet the criteria in order to be recognized. As such, these donated services have not been recorded as donated service revenue and as expenses in the statement of activities and changes in net assets.

Contributed goods are recorded at their estimated fair value at the date of donation. No significant contributions of such goods were received during the year ended October 31, 2024.

Functional Expense Reporting

The cost of program and supporting services activities has been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include a) salaries, payroll taxes, health insurance, and workers compensation, which are allocated using estimates of employee time and effort and b) depreciation and occupancy, which are allocated based on estimates of building usage.

Income Taxes

The Organization qualifies for an exception from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Operating Leases

Effective November 1, 2022, the Organization accounts for leases under FASB ASC 842, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the statement of financial position. The ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments over that term.

Operating ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives.

The lease term is the noncancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. The Organization has elected the private company alternative available in ASC 842 to use a risk free rate over a similar term in computing the present value of lease payments. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

As permitted by the standard, the Organization elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset.

Estimates

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

Advertising Costs

Advertising costs are expensed as incurred.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncement - Adopted
As of November 1, 2023, the Organization adopted ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Organization's contract receivables. Under this ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. This is in contrast to previous U.S. GAAP, under which credit losses were not recognized until it was probable that a loss had been incurred. The Organization performed its expected credit loss calculation based on historical contract receivable write-offs, including consideration of then-existing economic conditions and expected future conditions.

Note 2. Concentrations of Credit Risk

The Organization had three grantors that accounted for 85% of private grants and contributions and technical training grants during the year ended October 31, 2024. There were no grants and contributions receivable amounts due from these donors at October 31, 2024.

The Organization had four customers that accounted for 86% of student placement income during the year ended October 31, 2024. There were no amounts receivable from these customers at October 31, 2024.

The Organization had one agency that accounted for 100% of federal and state grant revenue. Amounts due from these agencies accounted for 100% of federal and state grants receivable at October 31, 2024.

Credit risk associated with grants receivable is considered to be limited due to historical collection rates and because the majority of the outstanding amounts are due from other not-for-profit organizations and state agencies supportive of the Organization's mission.

Program tuition receivable consists of short-term tuition and fees from students, of which the Organization has an unconditional right to receive. Management evaluates the need to write off a receivable based on its review of the aging of the balances and historical collection experience. Management writes off a receivable when it is probable that the receivable is not collectible.

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of October 31, 2024, the Organization's bank balances were approximately $1,561,112. The Federal Deposit Insurance Corporation covers the total balance of accounts up to $250,000 per financial institution. Uninsured bank balances totaled approximately $811,112 as of October 31, 2024. To date, the Organization has not experienced losses as a result of this practice.

Note 3. Lease

The Organization has a triple net leasing arrangement for office and classroom space under a non-cancelable operating lease beginning on July 1, 2020 and ending on June 30, 2023. During October 2023, the lease was renewed through June 30, 2025. Rent under this lease ranges from $12,465 to $12,789 per month plus additional rent charges to cover real estate taxes and insurance. Lease expense under this lease during the year ended October 31, 2024 totaled $151,026. The discount rate on this lease is 4.48% and the remaining lease term is 8 months.

Future undiscounted cash flows and a reconciliation of the lease liability on the statement of financial position are as follows as of October 31, 2024:

Year Ending October 31,	Amount
2025	$ 102,316
Total Lease Payments	$ 102,316
Less: Imputed Interest	(1,322)
Total Operating Lease Liability as of October 31, 2024	$ 100,994

Note 4. Deferred Compensation Plan

The Organization sponsors a tax-deferred retirement plan (the Plan) covering substantially all employees. The Plan provides that employees may voluntarily contribute up to 100% of their earnings to the Plan, up to the maximum contribution allowed by the Internal Revenue Service. Employer matching contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Organization may, in its sole discretion, also make a profit-sharing contribution. Employees will receive an allocation if they have completed at least 1,000 hours of service during the Plan year and are employed by the Organization on the last day of the Plan year. The Plan year ends on December 31st. The Organization did not record any expense related to employer matching or profit-sharing contributions during the year ended October 31, 2024.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions on October 31, 2024 were available for the following programs:

Adult Workforce - Purpose and Time Restricted	$ 226,596
Total	$ 226,596

Note 5. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions by incurring expenses satisfying the restricted purpose are as follows for the year ended October 31, 2024:

Adult Workforce - Purpose and Time Restricted	$	93,854
Total	$	93,854

Note 6. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted by donor, or subject to board-designated restriction. There were no board-designated restrictions as of October 31, 2024.

Financial Assets		
Cash and Cash Equivalents	$	993,734
Certificates of Deposit		568,744
Grants and Contributions Receivable		83,125
Federal and State Grants Receivable		90,953
Student Placement Fees Receivable		30,979
Tuition Receivable, Net of Allowance		425,770
Financial Assets, at Year-End		2,193,305
Less: Those Unavailable for General Expenditure Within One Year, Due to Restrictions by Donors		(226,596)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$	1,966,709

Note 7. Commitments and Contingencies

The Organization is a recipient of grants from certain non-profit entities which provide funding to the Organization using public funds. These grants are governed by various federal and state guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants is under the control and administration of the Organization and its grantors, and is subject to audit and/or review by the applicable funding sources. Any grant or award of funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

Note 7. Commitments and Contingencies (Continued)

The Organization is exposed to various risks of loss related to torts and theft of, damage to, and destruction of assets for which the Organization carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

During previous years, the Organization entered into multiple Payroll Protection Program (PPP) Loans. Under the terms of the PPP loans, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Organization applied for and received 100% forgiveness on its PPP loans. The U.S. Small Business Administration may undertake a review of a loan of any size during the six-year period following forgiveness of the loans.

During previous years, the Organization amended certain payroll tax returns from 2020 and 2021 as to claim and receive Employee Retention Tax Credits (ERTC). Management of the Organization determined that it qualified for this credit because its operations were fully or partially suspended due to government orders enacted in response to the COVID-19 pandemic and due to a reduction of gross receipts during the allowable periods. The Organization recognized and recorded an ERTC income totaling $419,734 during the year ended October 31, 2024 upon approval of the credit by the Internal Revenue Service and receipt of the funds. The ERTC claims are subject to review by the IRS until the statute of limitations is determined to have expired. If the IRS were to challenge the Organization's eligibility for all or part of the credit, it could result in an obligation for repayment, including penalties and interest.

Note 8. Deferred Revenue

Deferred revenues consisted of the following at October 31, 2024:

Deferred Adult Program Fees	$	131,500
Deferred High School Program Fees		20,024
Total Deferred Revenue, End of Year	$	151,524

The balance of deferred revenue as of October 31, 2024, will be recognized as revenue over the period beginning in November 2024, as services are rendered.

The Organization applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Note 9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 19, 2025, and determined that no events occurred which require disclosure.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

OPERATION SPARK
United States Department of Education Composite Score Worksheet
October 31, 2024

Accounts	Enter Amounts		Calculated Fields	
Primary Reserve Ratio (Expandable Net Assets/Total Expenses)				
Total Assets	$	2,713,733		
Total Liabilities	$	281,202		
Total Net Assets			$	2,432,531
Intangibles	$	-		
Unsecured Related-Party Receivables	$	-		
Net Fixed Assets	$	398,373		
Long-Term Debt	$	-	$	-
Post Employment or Retirement Liability	$	-		
Expandable Net Assets			$	2,034,158
Total Expenses	$	2,565,684	$	2,565,684
Equity Ratio (Modified Net Assets/Modified Assets)				
Modified Net Assets			$	2,432,531
Modified Assets			$	2,713,733
Net Income Ratio (Change in Unrestricted Net Assets/Total Unrestricted Revenue)				
Change in Unrestricted Net Assets			$	55,547
Total Unrestricted Revenues	$	2,621,231	$	2,621,231
If Composite Score < 1.5, HEA Program Funds:	$	-		

	Ratios	Strength Factor	Weights	Composite Scores
Primary Reserve:	0.7928	3.0000	40%	1.2000
Equity:	0.8964	3.0000	40%	1.2000
Net Income:	0.0212	1.5300	20%	0.3060
Composite Score				2.7

See independent auditor’s report.

OPERATION SPARK
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended October 31, 2024

Agency Head
John Fraboni, CEO

Purpose	Amount
Salary	$235,620
Benefits - Insurance	$3,271
Benefits - Retirement	$0
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$1,059
Travel	$1,625
Registration Fees	$785
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses (Mileage)	$0
Special Meals	$0

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

See independent auditor’s report.

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

Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

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 *(Government Auditing Standards)*, the financial statements of Operation Spark (the Organization) (a non-profit organization), which comprise the statement of financial position as of October 31, 2024, the related statements of activities and changes in net assets, 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 March 19, 2025.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 over financial reporting 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.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization’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 financial statements. 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 entity’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.

LaPorte

A Professional Accounting Corporation

Covington, LA
March 19, 2025

Section I. Summary of Auditor's Results

<u>Financial Statements</u>

1. Type of auditor's report	Unmodified
2. Internal control over financial reporting and compliance and other matters:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None reported
c. Noncompliance material to the financial statements noted?	No
3. Management letter comment provided?	None

Section II. Internal Control Over Financial Reporting

None.

Section I. Financial Statements

None.

Section II. Internal Control Over Financial Reporting

None.

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AGREED-UPON PROCEDURES REPORT

Operation Spark

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period November 1, 2023 - October 31, 2024

To the Governing Board of Operation Spark
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on Operation Spark's control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2023 through October 31, 2024. Operation Spark's management is responsible for those C/C areas identified in the SAUPs.

Operation Spark has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period November 1, 2023 through October 31, 2024. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

   i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   ii. ***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.

   iii. ***Disbursements***, including processing, reviewing, and approving.

iv. ***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).

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii. ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Operation Spark determined that procedures #1A(iv) Receipts/Collections, #1A(x), Debt Service, and 1A(xii), Prevention of Sexual Harassment, were not applicable.

We noted the following exceptions: #1A(ii) as (2) was not addressed; #1A(vi) as (3) was not addressed; #1A(ix) as (1) through (4) were not addressed; and #1A(xi) 3 through 6 were not addressed.

We noted no further exceptions in the performance of the procedures.

2) Board or Finance Committee

A. Obtain and inspect the board/finance 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:

   i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

   iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

   Results: Operation Spark determined that procedures #2A(ii, iii, iv) were not applicable.

   No exceptions were noted as a result of performing these procedures.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

   ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

<u>Results</u>: For two of the bank accounts tested in procedure #3A(i), they were not prepared within two months of the statement's closing date.

We noted no further exceptions in the performance of the procedures.

4) Collections (excluding electronic funds transfers)

A. 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).

B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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:

i. Employees responsible for cash collections do not share cash drawers/registers;

ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

iii. Each employee responsible for collecting cash is not also 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; and

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, 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:

i. Observe that receipts are sequentially pre-numbered.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

iv. 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 and the cash is stored securely in a locked safe or drawer).

v. Trace the actual deposit per the bank statement to the general ledger.

Results: Operation Spark determined that these procedures are not applicable.

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

A. 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).

B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

ii. At least two employees are involved in processing and approving payments to vendors;

iii. 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;

iv. 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; and

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

C. For each location selected under procedure #5A 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:

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronicdisbursements.*

Results: No exceptions were noted as a result of performing these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

B. 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:

   i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

   ii. Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were noted as a result of performing these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

A. 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 and 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:

   i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

   ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

   iii. 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 Policies and Procedures procedure #1A(vii); and

   iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

   Results: Operation Spark determined that these procedures are not applicable.

8) Contracts

A. 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. *Alternatively, 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:

   i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

   ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

   iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

   iv. 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.

Results: No exceptions were noted as a result of performing these procedures.

9) Payroll and Personnel

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of performing these procedures.

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:

i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: We noted the following exceptions: For procedure #10A(ii), Operation Spark did not have an ethics policy which addressed items #1A(ix) as (1) through (4) in Procedure 1.

We noted no further exceptions in the performance of the procedures.

11) Debt Service

A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Operation Spark determined that these procedures are not applicable.

12) Fraud Notice

A. 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 as required by R.S.24:523.

B. 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.

Results: No exceptions were noted as a result of performing these procedures.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

   i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

i. Hired before June 9, 2020 - completed the training; and

ii. Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

ii. Number of sexual harassment complaints received by the agency;

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

v. Amount of time it took to resolve each complaint.

Results: Operation Spark determined that these procedures are not applicable.

We were engaged by Operation Spark to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Operation Spark and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
February 26, 2025