



AMIkids Caddo, Inc.

FINANCIAL STATEMENTS

June 30, 2022

(With comparative financial information for 2021)



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REPORT





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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
AMIkids Caddo, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AMIkids Caddo, Inc. (School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AMIkids Caddo, Inc. as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AMIkids Caddo, Inc. 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 opinions.

Substantial Doubt about the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 10 to the financial statements, the School has a net deficiency in net assets and has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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 AMIkids Caddo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 AMIkids Caddo, Inc.'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 AMIkids Caddo, Inc.'s ability to continue as a going concern for a reasonable period of time.

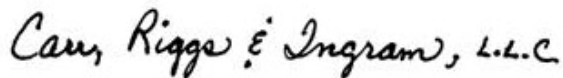
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of AMIkids Caddo, Inc.'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 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 AMIkids Caddo, Inc.'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 AMIkids Caddo, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited AMIkids Caddo, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CARR, RIGGS & INGRAM

Tampa, Florida
December 15, 2022



FINANCIAL STATEMENTS



AMIkids Caddo, Inc.
Statement of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 249,632	\$ 112,594
Accounts receivable:		
Funding agencies	33,003	23,492
Other	-	452
Prepaid expenses and other assets	1,710	4,830
Due from affiliates	917	-
Property and equipment, net	11,072	19,777
Total assets	\$ 296,334	\$ 161,145
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,369	\$ -
Accrued expenses	55,561	23,053
Accrued pension	1,625	-
Due to affiliates	39,394	42,251
Obligations under capital lease	11,741	20,512
Related party notes payable	705,300	329,300
Total liabilities	814,990	415,116
Net assets:		
Without donor restrictions	(526,615)	(257,980)
With donor restrictions	7,959	4,009
Total net assets	(518,656)	(253,971)
Total liabilities and net assets	\$ 296,334	\$ 161,145

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

AMIkids Caddo, Inc. Statement of Activities

<i>For the year ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized Total
Public Support and Revenue:				
Public support:				
Federal	\$ 53,882	\$ -	\$ 53,882	\$ 51,470
Regional	1,578,383	-	1,578,383	1,575,059
Contributions	6,956	30,143	37,099	26,403
Total public support	1,639,221	30,143	1,669,364	1,652,932
Revenue:				
Other	121	-	121	65
Total revenue	121	-	121	65
Net assets released from restrictions	26,193	(26,193)	-	-
Total public support and revenue	1,665,535	3,950	1,669,485	1,652,997
Expenses:				
Program services	1,804,702	-	1,804,702	1,647,197
Management and general	129,468	-	129,468	113,354
Total expenses	1,934,170	-	1,934,170	1,760,551
Change in net assets	(268,635)	3,950	(264,685)	(107,554)
Net assets, beginning of year	(257,980)	4,009	(253,971)	(146,417)
Net assets, end of year	\$ (526,615)	\$ 7,959	\$ (518,656)	\$ (253,971)

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

AMIkids Caddo, Inc.
Statement of Functional Expenses

<i>For the years ended June 30,</i>	Program Services	Management and General	2022 Total	2021 Summarized Total
Direct	\$ 79,397	\$ -	\$ 79,397	\$ 83,465
Salary and Wages	1,011,524	-	1,011,524	918,405
Payroll Benefits	165,031	-	165,031	184,474
Payroll Taxes	99,841	-	99,841	70,269
Professional Fees	120,643	86,705	207,348	206,995
Advertising and Promotion	-	-	-	375
Conferences, Conventions, and Meetings	9,099	6	9,105	3,878
Depreciation	8,705	-	8,705	10,711
Facilities	-	7,154	7,154	205
Insurance	93,789	7,985	101,774	100,024
Interest Expenses	-	14,833	14,833	9,330
Office Supplies	1,561	9,746	11,307	5,053
Other Expenses	22,359	2,493	24,852	17,868
Repairs and Maintenance	91,097	546	91,643	72,925
Taxes	6	-	6	-
Telecommunication	2,535	-	2,535	3,090
Travel Expenses	1,297	-	1,297	-
Utilities	97,818	-	97,818	73,484
	\$ 1,804,702	\$ 129,468	\$ 1,934,170	\$ 1,760,551

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

AMIkids Caddo, Inc. Statement of Cash Flows

<i>For the year ended June 30,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (264,685)	\$ (107,554)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,705	10,711
(Increase) decrease in:		
Accounts receivable	(9,511)	(19,742)
Prepaid expenses and other assets	3,572	863
Increase (decrease) in:		
Accounts payable	1,369	(14,539)
Accrued expenses	32,508	(43,546)
Accrued pension	1,625	(1,344)
Due to affiliates	(2,857)	(7,899)
Net cash and cash equivalents used in operating activities	(230,191)	(183,050)
Cash flows from financing activities:		
Proceeds from new borrowings from affiliates	396,000	101,500
Payments on related party notes payable	(20,000)	(200,000)
Payments on capital lease obligations	(8,771)	(10,602)
Net cash and cash equivalents provided by (used in) financing activities	367,229	(109,102)
Net increase (decrease) in cash and cash equivalents	137,038	(292,152)
Cash and cash equivalents at beginning of year	112,594	404,746
Cash and cash equivalents at end of year	\$ 249,632	\$ 112,594
Supplemental disclosure of noncash investing and financing activities:		
Cash paid for interest	\$ 14,672	\$ 9,215

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

AMIkids Caddo, Inc. (the School), a Louisiana not-for-profit corporation, was formed exclusively for educational purposes. The School has entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the School in Caddo Parish, Louisiana. The School serves sixth to eighth graders and expelled students from Caddo Parish Public Schools and provides education, treatment, and behavior modification as components of the AMIkids Personal Growth Model[®]. These services are performed by the School, which is one of over forty affiliated, but independently governed member schools located in Alabama, Florida, Georgia, Louisiana, New Mexico, North Carolina, South Carolina, Texas and Virginia. The School's educational component is accredited by Cognia, a global accrediting agency dedicated to advancing excellence in schools, universities, and educational agencies. AMIkids, Inc. (AMIkids) is located in Florida and executes the contracts, collects funds, coordinates the operations and manages the record keeping of these member Schools and schools through a subcontract agreement between AMIkids and the School. The School's operating funds were primarily generated from state contracts and federal and local funds. Continued operation of the School's foster care program is dependent on continued funding from local agencies as well as financial and other support from AMIkids.

The School is an independent non-profit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the School is a component unit of CPSB and the School's financial statements are included in the CPSB's basic financial statements as a component unit.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Net Assets Without Donor Restriction: Include net assets that are not subject to donor-imposed stipulations and net assets that have been designated for a specific purpose by the Board of Directors.

Net Assets With Donor Restrictions: Include gifts for which donor-imposed restrictions due to time or purpose have not yet been met and gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions, as applicable.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Accounts Receivable

Accounts receivable consists primarily of receivables from federal agencies and county school boards. The School reviews outstanding receivables for collectability based on historical payment history from the payer and any known circumstances casting doubt over the collectability of accounts and reserves for amounts considered to be uncollectible. The School considers its accounts receivable to be fully collectible and therefore, has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged against the allowance for doubtful accounts when that determination is made.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, if purchased or at estimated fair value at date of receipt if donated. Property and equipment transferred to the School by a funding agency are stated at estimated fair value at date of transfer. Property transferred or acquired with grant funds may revert to the funding agency should the School no longer provide the rehabilitation services required by the contract. At the time property is retired, or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in earnings. Repairs and maintenance are expensed when incurred. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Furniture, fixtures and equipment	3-5 years
Motor vehicles	3-5 years

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The School reviews all long-lived assets, which consist primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted cash flows.

Public Support and Revenue

Public support is primarily from AMIkids's contracts with various state agencies. Contracts with state agencies generally provide funding based on client service days. Other public support represents amounts received from federal and local sources.

A significant portion of the School's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Public support contracts are analyzed for measurable performance-related barriers or other measurable barriers, primarily client service days or expenditure of resources on allowable costs. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as deferred revenue.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions are initially recorded as increases in net assets without donor restrictions.

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by the individuals possessing those skills and would be typically purchased if not provided by donation. For the year ended June 30, 2022 and 2021, donated services were not material to the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various services have been summarized on a functional basis between program services and supporting services. Certain costs have been allocated among program services and supporting services. Salaries are allocated based on the time and effort expended between program and supporting services. Rent and utilities and equipment and maintenance costs are allocated based on the ratio allocation of salaries between program and management and general.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the School is exempt from taxes on income other than unrelated business income.

The School utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2022 and 2021, the School has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 15, 2022 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Reclassifications

Certain items on the statements of activities and functional expense have been reclassified in the 2021 financial statements to agree to the current presentation. There was no impact to the change in net assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued an accounting standard which requires the recognition of assets and liabilities arising from lease transactions on the statement of financial position and the disclosure of additional information about leasing arrangements. Under the new guidance, for all leases, interest expense and amortization of the right to use asset will be recorded for leases determined to be financing leases and straight-line lease expense will be recorded for leases determined to be operating leases. Lessees will initially recognize assets for the right to use the leased assets and liabilities for the obligations created by those leases. The new accounting standard must be adopted using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The accounting standard is effective for the School beginning with the year ended June 30, 2023, with early adoption permitted. The School is currently in the process of assessing what impact this new standard may have on its financial statements

Note 2: COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Note 3: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consists of:

	2022	2021
Furniture, fixtures, and equipment	\$ 12,035	\$ 12,035
Motor vehicles	33,215	33,215
	45,250	45,250
Less accumulated depreciation	(34,178)	(25,473)
	\$ 11,072	\$ 19,777

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$8,705 and \$10,711, respectively.

AMikids Caddo, Inc.
Notes to Financial Statements

Note 4: CAPITAL LEASE OBLIGATIONS

The School leases office equipment under capital lease. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the School's assets and liabilities.

The following is an analysis of the leased assets included in property and equipment:

	2022	2021
Furniture, fixtures, and equipment	\$ 12,035	\$ 12,035
Motor vehicles	33,215	33,215
	45,250	45,250
Less: Accumulated Depreciation	(34,178)	(25,473)
Total included in property and equipment	\$ 11,072	\$ 19,777

Future minimum lease payments subsequent to June 30, 2022 are as follows:

<i>Year Ending June 30,</i>	
2023	10,476
2024	3,492
Total minimum lease payments	13,968
Less amounts representing interest	(2,227)
Present value of minimum lease payments	\$ 11,741

Note 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	2022	2021
Education/scholarship	\$ 6,600	\$ 3,500
Other	1,359	509
	\$ 7,959	\$ 4,009

AMIkids Caddo, Inc.
Notes to Financial Statements

Note 5: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by occurrence of events specified by donors as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Education/scholarship	\$ 26,193	\$ 18,958
	\$ 26,193	\$ 18,958

Note 6: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

<i>As of June 30,</i>	2022
Cash and cash equivalents	\$ 249,632
Accounts receivable	33,920
Total	283,552
Less: Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(7,959)
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 275,593

The School prepares an annual budget that is approved by the Board of Directors for the upcoming year. The annual budget includes projected revenue based on current grants, contracts and contributions. Internally prepared financial statements comparing budget to actual results are reviewed by management on a monthly basis and cash flow is monitored daily.

Generally the School will have advance notice of grants and contracts terminating and will manage the reductions in cash flow by reducing expenditures and where necessary, by reducing staffing levels.

As part of the School's liquidity management, financial assets are structured to be available as general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the School has available intercompany short-term notes payable, which it could draw upon. The amount available would be sufficient to cover any deficit in available financial assets below general expenditures within the next fiscal year.

AMIkids Caddo, Inc.
Notes to Financial Statements

Note 7: RELATED PARTY TRANSACTIONS

As stated in Note 1, AMIkids executes the contracts, collects funds, coordinates the operations and manages the record keeping of the School and remits these funds to the School on a monthly basis in accordance with the subcontract agreement. For providing these and other services, AMIkids was paid \$189,405 and \$192,181 in fiscal 2022 and 2021, respectively, which was recorded as management fee and other expense included in program services and management and general in the accompanying statement of functional expenses.

The School periodically enters into transactions with AMIkids and affiliated Schools for intercompany billings of common costs and services received or rendered. The School may also enter into other financing transactions with AMIkids. Except as noted below, these amounts are non-interest bearing and have no maturity date or collateral.

Amounts due from AMIkids and other affiliates at June 30, 2022 and 2021 consists of:

	2022	2021
Affiliate trade payables	\$ 39,394	\$ 42,251
Notes payable to AMIkids, due June 2023 interest charges accruing at 3.3% per annum, unsecured	705,300	329,300
	\$ 744,694	\$ 371,551

Note 8: PENSION PLAN

AMIkids maintains a noncontributory defined contribution money purchase pension plan covering all full-time employees who have completed two years of service and have attained the age of 20 ½ years. Contributions to the Plan are based on a percentage of each employee’s compensation for the year. The pension expense for the year ended June 30, 2022 and 2021 totaled \$50,329 and \$39,329, respectively.

Note 9: CONCENTRATIONS OF CREDIT RISK

Cash is maintained in bank deposit accounts, which at times may exceed federally insured limits. The School believes it is not exposed to any significant credit risk in these accounts.

Note 10: CONTINGENCIES

A substantial portion of AMIkids and the School's public support is derived from programs supported by various funding agencies. Under the terms of the agreements with these funding agencies, AMIkids's and the School's financial records are subject to audit by the appropriate governmental authorities. Depending upon the results of these audits, if any, funds may be required to be refunded to the appropriate funding agency. In the opinion of AMIkids and the School's management, no public support funds will be required to be refunded. Accordingly, no provision for such contingency has been made in these financial statements.

The School is subject to various claims and legal proceedings, which arise in the ordinary course of business. The School does not believe that these matters will have a material adverse effect on its financial position or operating activities.

The School had negative net asset without donor restrictions of \$275,980 at June 30, 2021 with a decrease in net assets of \$268,635 for the year ended June 30, 2022 resulting in a negative net assets without donor restrictions of \$526,615 at June 30, 2022. The School has contracts through June 30, 2023 to sustain operations for fiscal year 2023. However, the School does not have expected funding through one year of the date of this report. AMIkids, Inc. has not committed to funding operations past the end of the subsequent fiscal year if other major revenue sources are not received. These factors create a substantial doubt about the School's ability to continue as a going concern.

AMIkids Caddo, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head
Or Chief Executive Officer
Year ended June 30, 2022

Agency Head Name:

Gwendolyn Hamilton

Purpose	June 30, 2022	
Salary	\$	79,155
Benefits-Retirement		11,873
Reimbursements		2,771
Total	\$	93,799

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

The Board of Trustees
AMIkids Caddo, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AMIkids Caddo, Inc. (the "School"), a charter school and component unit of the District School Board of Caddo Parish, Louisiana, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2022.

Report on 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) 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 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. 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 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tampa, Florida
December 15, 2022

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures – Fiscal Years Ending 12/31/2021 through 11/30/2022

AMIkids Caddo

All procedures performed below were performed by AMIkids internal audit department. See below for procedures performed and results of procedures for each step listed.

Instructions

Introduction and General Comments

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including nonprofits) that meet the legal requirement to have an audit under the Audit Law¹ (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This update to the AUPs will be effective for those entities that have fiscal years ending December 31, 2021 through November 30, 2022.**

What’s New? Entities will **not** be allowed to **exclude** any AUP categories for the fourth year of AUPs. All entities not exempt from performing the SAPs as stated within the Applicability of SAUPs section of this document are required to perform all AUP categories.

LLA has added Sexual Harassment to the Written Policies and Procedures category and included testing procedures for both Sexual Harassment and Information Technology Disaster Recovery/Business Continuity. We have made significant changes to the Payroll and Personnel and Board Oversight categories and, we have also made minor edits to other procedural categories, existing instructions and footnotes for clarity.

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds.

The AUPs are to be performed under the AICPA attest standards (Statements on Standards for Attestation Engagements) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor’s office (i.e., one Adobe pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate “engagement approval form” for the statewide AUP engagement is not required. The LLA is considered to be a specified party to the AUP engagements and accepts the sufficiency of AUP procedures by our acceptance of the standard (audit) engagement approval forms.

¹ R.S. 24:511-24:559

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All exceptions, other than those related to Information Technology Disaster Recovery/Business Continuity, are to be included in the AUP report with management’s responses/corrective actions. To avoid potential conflicts with the attest standards, we recommend that management prepare a single overall response to the AUP report. If management chooses not to respond to the AUP exceptions at all, the practitioner must include a statement that “management declined to respond to the exceptions or provide a plan of corrective action.” If no exceptions are noted when performing a procedure, “no exceptions were found as a result of this procedure” is an acceptable result in the AUP report.

To avoid the possible exposure of entity information technology vulnerabilities, we ask that results of the Information Technology Disaster Recovery/Business Continuity AUP testing be discussed with management and not shown within the AUP report. Instead, we ask that each procedure under the Information Technology Disaster Recovery/Business Continuity AUP category be followed by the statement, “**We performed the procedure and discussed the results with management.**”
Note: The practitioner should maintain documentation of Information Technology Disaster Recovery/Business Continuity AUP testing and subsequent results in the engagement workpapers.

The attestation standards for agreed-upon procedures engagements require that the practitioner report exceptions to procedures even when there are compensating controls; however, the LLA does not want to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the entity had exceptions within an AUP category, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may report no exceptions. The practitioner should maintain documentation of compensating controls in the engagement workpapers.

Please note the results of the AUPs do not change the practitioner’s separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc., as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or internal auditor’s exceptions (or a reference to the exceptions) in the audit report’s schedule of findings, unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit. Similarly, AUP exceptions should not be copied and pasted as findings in the LLA report submission portal unless they are addressed as findings in the audit report.

Under the attest standards, practitioners are also allowed to report “knowledge of matters outside agreed-upon procedures” within the AUP report if they discover a control deficiency or noncompliance that does not meet the definition of an exception under the AUPs. While the reporting of these matters with the AUP report is at the practitioner’s discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of his or her audit.

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If the practitioner has gained “knowledge of matters outside agreed-upon procedures” related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14²), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

Applicability of AUPs

Those local entities that do not meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling less than \$500,000 in revenues and other sources) are exempt from performing these AUPs. If an entity elects to have an audit but is not required to have an audit under the Audit Law, the entity would be exempt from performing these AUPs.

For purposes of the Audit Law, public funds are generally defined as follows:

- For governmental entities, including non-profits created by a governmental entity to perform the same activities as the governmental entity, **all** revenues and other sources are considered to be public funds.
- For non-profit entities, any funds received from state or local governments, including grants, loans, transfers of property, awards, direct appropriations, and pass-through federal funds are considered to be public funds. Public funds also include direct federal funds unless the non-profit receives **only** federal direct funds (i.e., even \$1 of other public funds requires the non-profit to treat federal direct funds as public funds for purposes of the Audit Law). Medicare and Medicaid funds are considered to be contract/vendor payments and are not considered public funds for non-profits.

If either a governmental or non-profit entity has met the Audit Law threshold, and all or part of the entity’s public funds are federal major program funds (either direct or pass-through) tested under the entity’s Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes. For example, a non-profit entity that has one federal program subject to Single Audit testing may exclude credit cards, travel expenditures, non-payroll disbursements, contracts, and payroll and personnel if these areas are subject to testing under Allowable Costs and Procurement in the OMB Compliance Supplement; however, the entity would still be subject to other AUP areas that are not addressed in the OMB Compliance Supplement (e.g., board or finance committee, bank reconciliations). However, an entity that has other public funds not subject to testing under the Single Audit must still test those funds under the statewide AUPs. In that situation, we recommend selecting sample sizes for the

² Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed).

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applicable AUP categories from the overall population of transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio to the statewide AUP sample sizes to accomplish the same goal.

State entities whose financial information is included in the Annual Comprehensive Financial Report of the State of Louisiana, or local entities subject to Act 774 of 2014 (i.e., St. Tammany Parish), are exempt from the AUPs below. Private and parochial schools, as well as university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited partnership entities have been exempted from the AUPs based on the nature of their operations.

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity; however, entities that are discrete component units of a larger government, and separately report to the LLA, are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (e.g., payroll processing) are exempt from those portions of the AUPs relating to the operations performed by the primary government; instead, AUPs performed at the primary government should address those areas (e.g., payroll processing) because the controls exist at the primary government.

All fiduciary funds should be included within the scope of the AUPs, including custodial funds administered by sheriffs or other tax collectors.

For quasi-public organizations, including non-profits, only those AUP areas applicable to public funds administered by the quasi-public organization are required to be included within the scope of the AUP engagement.

School student activity fund accounts may be excluded from testing under the AUPs if they are otherwise addressed in a separately contracted audit or agreed-upon procedures engagement (does not have to include the same procedures as in the statewide agreed-upon procedures). In this situation, the audit or agreed-upon procedures report is already required to be submitted to the LLA as a separate engagement and does not need to be attached in the pdf file with the practitioner's audit/AUP report.

Please note that the statewide AUPs included in this document apply only to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 4 other types of agreed-upon procedures engagements that should not be confused with the statewide AUPs, as follows:

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- State entity (not “statewide”) agreed-upon procedures are required for certain engagements for entities that are included in the state’s ACFR. These engagements are contracted directly by the LLA’s Financial Audit Services group and do not apply to local governments or quasi-public entities.
- Review/Attest engagements include agreed-upon procedures for local governments and quasi-public entities that differ from the statewide AUPs and apply only to those entities that receive public funds between \$200,000 and \$500,000.
- Act 774 AUPs apply only to local governments and quasi-public entities in St. Tammany Parish that receive public funds of \$75,000 or greater. These agreed-upon procedures are customized by the LLA for each engagement.
- Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of agreed-upon procedures may be required, depending on whether each criterion above has been met. For example, an entity in St. Tammany Parish with public funds between \$200,000 and \$500,000 would be subject to both the Review/Attest AUPs, as well as the Act 774 AUPs. Similarly, a parish school board with public funds of \$500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

Options and Alternatives

The practitioner may avoid duplication of existing audit procedures by using the same transactions for both audit and AUP purposes. For example, if the AUPs indicate that 10 random transactions should be selected and the practitioner would otherwise plan to test 25 random transactions as part of the entity’s audit, the practitioner may use the same 10 transactions for both the audit and the AUP engagement.

If the entity employs one or more internal auditors, the practitioner documents reliance upon the internal audit function as part of the entity’s audit, and the internal auditor performs one or more of the specific procedures identified for the same fiscal period (internal auditor is not required to perform procedures under the attest standards), then the practitioner does not have to include those specific procedures as part of the scope of the AUP engagement or include those specific procedures in the AUP report. In that situation, the practitioner should perform the remaining AUPs under the attest standards and document in the AUP report, but should not include or reference the internal auditor’s report(s) in the practitioner’s AUP report. The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor’s procedures performed and exceptions noted when submitting the audit

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report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one Adobe pdf file, and all three reports will be issued by the LLA as public documents.

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month “fiscal period” that does not coincide with the entity’s fiscal year, as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity’s fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2021 through March 31, 2022 for an entity with a fiscal year ending June 30, 2022. All AUPs will reference “fiscal period” to mean the 12-months covered by the AUPs. If the entity elects to change its “fiscal period,” the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

For nonprofit entities, only those AUPs relevant to public monies are required to be included in the scope of the AUP engagement. For example, if a nonprofit receives \$10 million in non-public funds and also receives \$500,000 in public funds, only the \$500,000 in public funds would be subject to the AUPs if the funds are not otherwise commingled. In this example, if the nonprofit did not use any of the \$500,000 in public funds for payroll or travel expenses, the portions of the AUPs relating to these areas are not required to be included in the scope of the AUP engagement or report.

If the practitioner believes the AUPs collectively cannot be performed based on the nature of the entity’s operations, please contact the LLA to request an exemption to the AUPs. If a specific procedure cannot be performed based on the nature of the entity’s operations, an equivalent procedure may be substituted (e.g., alternate sampling population, alternate method of compiling documentation) at the practitioner’s discretion. Please note the substitute procedure would need to be included in the AUP report in place of the original procedure, and this change in procedures may require the practitioner to update his or her client engagement agreement accordingly.

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited. The practitioner is required to test documentation at the secretary/bookkeeper level only and is not required to test for completeness of revenues relative to classroom collections by teachers.³

³ This exclusion would also apply to procedure #7a below.

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Procedures

Report all exceptions to the following procedures, either after each procedure or after all procedures, within each of the fourteen AUP categories. “Random” selections may be made using Microsoft Excel’s random number generator or an alternate method selected by the practitioner that results in an equivalent sample (e.g., those methods allowed under the AICPA Audit Guide - *Audit Sampling*).

Written Policies and Procedures

1. 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:⁴

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The budgeting process is executed by the Executive Director in concert with the Regional Director and AMIkids Finance (Finance). The budget is then reviewed and approved program’s Board. Amendments to the budget can be initiated by the ED and/or by AMIkids Finance and subsequently approved by the program’s Board. See also Page VI of the Finance Manual. Budget amendments are initiated by AMIkids CFO when contracts/grants are altered by the contracting agency/grantor, and amendments are subject to the same approval process.

Monitoring of the budget is accomplished by providing the program with monthly financial statements with the ED reviewing key issues and explaining budget variances. The financial statements are discussed at each local Board meeting.

In addition, Internal Audit performs a high-level budget variance analysis that is used as part of the testing methodology during scheduled audits. Included as part of the test work is a review of program Board minutes where it is noted that the budget has been approved.

No exceptions noted.

⁴ For governmental organizations, the practitioner may eliminate those categories and subcategories not applicable to the organization’s operations. For quasi-public organizations, including nonprofits, the practitioner may eliminate those categories and subcategories not applicable to public funds administered by the quasi-public.

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- 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.

Per the Finance Manual Purchase Orders (PO's) are to be prepared and approved by the ED for all purchases over \$1,000 and further supported by three competitive bids for all non-routine/non-recurring expenditures. PO's are required to be two part forms with one part given to the vendor and one part retained by the program. PO copies are not submitted to Finance for payment processing. PO's are not required for routine/recurring purchases. IA does not test PO process as PO copies are not submitted and filed in the invoice files in the Finance Department. In addition, most all AP disbursements are routine or recurring in nature. IA does, however, ask to view bids for expenditures over \$1,000 as part of the test process.

The lack of purchase orders in the AP process is not considered a significant control deficiency given the nature of the program's expenses. However, all AP disbursements require ED approval. Non-routine, non-recurring AP disbursements over \$2,500 requires the additional approval of the RD and the Board of Directors.

- c) ***Disbursements***, including processing, reviewing, and approving.

Invoices are received at the program, approved by the Executive Director and then scanned and submitted to the AMIkids Home office for review and issuing checks. Significant purchases greater than \$2,500 (beyond regular budgeted or business related expenses) will require the advance approval of the Regional Director and program Board.

- 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).

Cash collection (checks) can be received by either the program Business Manager (BM) and or the Executive Director (ED). All cash receipts are listed on a Daily Cash Receipts Log (DCRL), signed and approved by ED and submitted to Finance for posting to the GL. Submission to Finance includes a copy of the check, deposit receipt and any other pertinent documentation received with the check. As stated previously, bank statements are received directly from the financial institution at Finance for reconciliation. Physical cash receipts are rare and immaterial.

Note, the program's main deposit activity is through ACH credits from the Department of Labor from vocational services grants.

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- e) **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(s) rate of pay or approval and maintenance of pay rate schedules.
- 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.

The Finance Manual addresses leases, independent contractors, rental agreements and promissory notes. All contracts must be in writing and include an “out clause”. Significant contracts require obtaining three bids. The Executive Director must get the Regional Director approval, AMIkids Support Services approval and Board approval. Monitoring of contracts is the responsibility of the Executive Director. Contracts are monitored indirectly by Finance AP and staff accounting functions. Internal Audit will select a sample of contracts for approval and review payments made under the contract.

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

The Finance Manual addresses security over the use and storage of credit cards, defines allowable uses and documentation in support of charges. All credit cards statements are required to be approved by the Executive Director and subsequently submitted to AMIkids Home Office AP function for final review and subsequent payment.

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

The Finance Manual defines allowable expenses, dollar thresholds for meals and documentation requirements. Executive Director (ED) approves staff expense reports and the ED’s expenses are approved by the Regional Director.

- i) **Ethics⁵**, 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.

⁵ The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the nonprofit should have written policies and procedures relating to ethics.

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Section not applicable to AMIkids Caddo.

Items b)-h) are addressed in the Finance Manual. No exceptions noted.

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

NA – Caddo does not issue debt instruments.

- k) ***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.

AMIkids has a formal IT policy that addresses items (1) through (6), above. No exceptions.

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

Board or Finance Committee⁶

2. 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:
- a) 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.
 - b) 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, at a minimum, on proprietary funds⁷, and semi-annual budget-

⁶ These procedures are not applicable to entities managed by a single elected official, such as a sheriff or assessor.

⁷ Proprietary and special revenue funds are defined under GASB standards. The related procedure addresses these funds as a way to verify that boards are provided with financial information necessary to make informed decisions about entity operations, including proprietary and special revenue operations that are not required to be budgeted under the Local Government Budget Act.

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to-actual, at a minimum, on all special revenue funds⁷. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds⁸ if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- c) 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.

The Board typically meets monthly to review financial results including budget-to-actual variances along with program management's explanation for the variances

Bank Reconciliations

3. 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 accounts⁹ (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:

AMikids Caddo has only one general account that is used in daily operations.

- a) 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);
- 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 it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Review of the 3/31/22 bank reconciliation noted it was prepared within 2 months of the statement date.

Bank statements are received at the AMikids Home Office (HO) unopened from the financial institution and reconciled by HO Finance staff. The reconciliations are reviewed by second Finance staff member.

⁸ R.S. 24:513 (A)(1)(b)(iv) defines public funds.

⁹ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

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There were no reconciling items outstanding for more than 12 months.

Collections (excluding electronic funds transfers)¹⁰

4. Obtain a listing of deposit sites¹¹ 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).

NA, the Caddo program location is the only deposit site. Collections typically consist of checks only. Receipt of actual cash is minimal and rare. Receipts are issued for any cash received at the school. Due to the immaterial amounts, formal testing of actual cash receipts processing is not performed by Internal Audit.

5. For each deposit site selected, obtain a listing of collection locations¹² 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 responsible for cash collections do not share cash drawers/registers.

NA – Program does not use 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.

Cash collection (checks) can be received by either the program Business Manager (BM) and or the Executive Director (ED). All cash receipts are listed on a Daily Cash Receipts Log (DCRL), signed and approved by ED and submitted to Finance for posting to the GL. Submission to Finance includes a copy of the check, deposit receipt and any other pertinent documentation received with the check. As stated previously, bank statements are received directly from the financial institution at HO Finance for reconciliation. Physical cash receipts are rare and immaterial.

Note, the program’s main deposit activity is through ACH credits from the Department of Labor from vocational services grants.

¹⁰ The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

¹¹ A deposit site is a physical location where a deposit is prepared and reconciled.

¹² A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit. For example, in a school district a collection location may be a classroom and a deposit site may be the school office.

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No exceptions.

- 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.

See b) above.

- 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/official verifies the reconciliation.

See b) above.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

AMikids Home Office carries Fiduciary and Crime Liability coverage for the program. In addition all employees must pass a criminal background screening prior to employment and again every 5 years thereafter.

- 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 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

Deposit date 3/30/22 in the amount of \$610. Cash was received during the period 2/16/22-3/29/22 in minimal amounts that did not exceed \$50 per day.

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Deposit dated 02/17/22 in the amount of \$720 cash. Cash was received in minimal amounts of \$40, or less during the period 01/03/22-2/15/22.

Cash is stored in a locked safe at the program until deposited. Each cash transaction was supported by a pre-numbered receipt and the total of the receipts was agreed to the deposit total, agreed to the bank statement and to posting on general ledger.

No exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, 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).

Disbursements are processed through the Caddo location only

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.

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.

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.

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

At the program, the BM manager opens invoices and scans them to the AP system. The system forwards the invoice to the ED for approval and then the invoice enters the TEAMS AP system at the Home Office. Home Office (HO) AP personnel review the invoices for approval, proper coding and other required support as needed. HO AP then generates a check file that is forwarded back to the program and is used to print physical checks at the program for subsequent mailing to the vendors.

The BM typically adds new vendors to the system which is considered to be an acceptable risk by Finance as the AP Web system will identify on the Daily Report all new vendors added. This report is reviewed and approved by the ED prior to submission of the check run

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to Finance. In addition, the program over nights all invoices and AP Web Reports to Finance who compares the invoices to the AP submission received from the program. Any exceptions noted are resolved before Finance will release the report of checks to be printed to the school.

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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

In the FY 22 internal conducted as of 03/31/22 (covering the period 07/01/21-03/31/22), 22 disbursements totaling \$14,265, or 37% of the \$37,611 disbursed during the period.

IA selected an additional sample for the period 04/01/21-06/30/21 comprised of 5 disbursements totaling \$5,648 or 59% of the \$9,550. IA noted one exception where a check issued in the amount of \$3,235.93 did not have a second signature. Expenditure was for copy costs and is considered an isolated occurrence as the check in excess of \$2.5K tested in the FY 22 audit did have two signatures.

No/pass exception.

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 cards¹³. Obtain management’s representation that the listing is complete.

The program has one bank debit card used solely by the Executive Director that was active during the period 8/15/21-09/30/21. The card was subsequently terminated at the request of AMIkids Finance.

The program has no active credit cards.

¹³ Including cards used by school staff for either school operations or student activity fund operations.

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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 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. [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. ***Reviewed receipts supporting the charges noting them to be for items used at the program. The expense report submitted was approved by the Regional Director who is not the authorized card holder. There were no finance charges or late fees assessed.***

No exceptions.

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)¹⁴. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

See 12, above.

Travel and Travel-Related Expense Reimbursements¹⁵ (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:

¹⁴ For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

¹⁵ Non-travel reimbursements are not required to be tested under this category.

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- a) If reimbursed using a per diem, observe 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).

AMikids Finance has established a meal allowance of \$46/day (\$10 for breakfast, \$12 for lunch and \$24 for dinner). Reimbursements for the full allowance are permitted only the employee is actually traveling during the hours specified for each meal. As an example, if the employee departs the office/residence at 10 AM, the meal allowance reimbursement is for lunch and dinner only. The daily allowance is below the rate specified by the U.S. General Services administration.

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

IA tested all of the expense reimbursements for the Executive Director and Program Manager in the FY '22 audit covering the period 07/01/21-03/31/22. Each submitted non-meal item was supported by documentation of the amount, business purpose and attendees. Each expense report was approved 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 whether the contract was bid in accordance with the Louisiana Public Bid Law¹⁶ (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

¹⁶ If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

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- c) If the contract was amended (e.g., change order), observe 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, was approval documented).
- 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 the invoice and related payment agreed to the terms and conditions of the contract.

There were no new lease contracts executed during the period. Pass further work.

Payroll and Personnel

- 16. Obtain a listing of employees and officials¹⁷ 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.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials¹⁸ documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions

- 18. 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, 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 or officials’ cumulative leave records, agree the

¹⁷ “Officials” would include those elected, as well as board members who are appointed.

¹⁸ “Officials” would include those elected, as well as board members who are appointed.

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pay rates to the employee or officials’ authorized pay rates in the employee or officials’ personnel files, and agree the termination payment to entity policy.

No exceptions

19. 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.

No exceptions

Ethics¹⁹

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

Section not applicable to AMIkids Caddo.

Debt Service²⁰

21. 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 State Bond Commission approval was obtained for each debt instrument issued.

NA, the program does not issue debt.

22. 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).

NA, the program does not issue debt.

¹⁹ The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the procedures should be performed.

²⁰ This AUP category is generally not applicable to nonprofit entities; however, if applicable, the procedures should be performed.

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Fraud Notice

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.

There have been no reports of misappropriations of public funds. No exceptions.

24. Observe the entity has posted, on its premises²¹ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.²²

The required notice is posted at the program. No exceptions.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) 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.

We performed the procedures and discussed the results with management.

²¹ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

²² This notice is available for download or print at www.la.gov/hotline.

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Sexual Harassment²³

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Team members are required to complete 1hour of Sexual Harassment Awareness and Prevention training during their Pre-Service (year 1) and Annual In-Service as part of the training plan for each of these facilities. Based on the audit of our training department, the three listed sites (Baton Rouge, Acadiana and Caddo) are not in compliance with the required training standards. The programs will be placed on Corrective Action related to this training deficiency. Programs will be reviewed by August 31 for completion of required training by team members.

27. Observe 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).

All team members are informed of and provided information related to the organization sexual harassment policy as part of the Team Member Reference Guide (pp12-13) during the onboarding process.

AMIkids also provides a Report It hotline – to allow Team Members to voice their concerns. The Report It service, an independent, third party hotline that provides a simple, risk-free way to anonymously and confidentially report concerns and/or policy violations. Report It contact information is also conspicuously posted in common staff areas of the program.

The sexual harassment policy is given to each new hire upon attachment to the program. The policy is also available on the program’s intranet to which all employees have access.

²³ A private non-profit that is subject to audit by virtue of the receipt of public funds does not appear to be subject to the sexual harassment law, R.S. 42:341, et seq. However, the non-profit could be subject to the law as part of its agreement to receive the public funds.

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28. 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 it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements; ***Twenty seven staff, or 63% have completed sexual harassment training during the period.***
- b) Number of sexual harassment complaints received by the agency; ***None***
- c) Number of complaints which resulted in a finding that sexual harassment occurred; ***None***
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and ***None***
- e) Amount of time it took to resolve each complaint. ***NA***

The entity does not issue an annual sexual harassment report.