

BOBBIE L. HOWARD
CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL ACCOUNTING CORPORATION
921 CHURCH STREET ~ REAR ENTRANCE
HOUMA, LA 70360
Phone: (985) 851-6838
Fax: (985) 851-6972
E-mail: bobbiehoward@blhcpas.com

J. K. HAYNES CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2018

TABLE OF CONTENT

Independent Auditor’s Report	Page 1
Statement of Financial Position	Page 4
Statement of Activities	Page 5
Statement of Functional Expenses.....	Page 6
Statement of Cash Flows	Page 7
Notes to Financial Statements	Page 8
Report on Internal Control Over Financial Reporting on Compliance And Other Matters Based on an Audit of Financial Statements Performed In According With Government Auditing.....	Page 15
Independent Accountant’s Report on Applying Agreed-Upon Procedures.....	Page 17
Schedules Required by Louisiana State Law- (R.S. 24:514 Performance and Statistical Data).....	Page 20
General Fund Instructional and Support Expenditures And Certain Local Revenue Sources	SCHEDULE 1 Page 21
Class Size Characteristics	2 Page 22

TABLE OF CONTENT

Schedule of Findings and Question Cost.....	Page 23
Schedule of Prior Audit Findings.....	Page 26
Supplementary Information	Page 27
Schedule of Compensation	Page 28

BOBBIE L. HOWARD
CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL ACCOUNTING CORPORATION
921 CHURCH STREET ~ REAR ENTRANCE
HOUMA, LA 70360
Phone: (985) 851-6838
Fax: (985) 851-6972
E-mail: bobbiehoward@blhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

J. K. Haynes Charter Schools, Inc.

Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of **J. K. Haynes Charter Schools, Inc.** (a non-profit organization) which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **J. K. Haynes Charter Schools, Inc.** as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with *Accounting Principles Generally Accepted* in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying Schedule of Agency Head Compensation is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Schedules of Performance and Statistical Data as required by state law and referred to in our Independent Accountants' Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2018, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Bobbie L. Howard

**Bobbie L Howard
Certified Public Accountant
Houma, LA.
December 18, 2018**

J. K. HAYNES CHARTER SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

<u>ASSETS</u>		
Cash & Cash Equivalents		\$ 143,269
Investments		\$ 255,250
Contracts Receivables		241,977
Property & Equipment, Net		96,917
Deposits		4,200
		<hr/>
TOTAL ASSETS		\$ 741,613
		<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable		\$ 153,528
Payroll Taxes Payable		9,868
		<hr/>
TOTAL LIABILITIES		\$ 163,396
		<hr/>
<u>NET ASSETS</u>		
Unrestricted Net Assets		\$ 578,217
		<hr/>
TOTAL LIABILITIES AND NET ASSETS		\$ 741,613

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

J. K. HAYNES CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2018

<u>SUPPORT AND REVENUES</u>			
East Baton Rouge School Board			\$ 2,944,398
Federal Food Grant			223,964
State Food Grant			18,807
In-Kind Rental Income			156,732
Interest Income			5,712
Other Income			16,300
TOTAL REVENUE AND SUPPORT			<u>\$ 3,365,913</u>
<u>EXPENSES</u>			
Program services			\$ 3,167,910
Supporting services			236,885
TOTAL EXPENSES			<u>\$ 3,404,795</u>
CHANGE IN NET ASSETS			<u>\$ (38,882)</u>
NET ASSETS, BEGINNING OF YEAR			<u>\$ 617,099</u>
NET ASSETS, END OF YEAR			<u>\$ 578,217</u>

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

J. K. HAYNES CHARTER SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2018

	PROGRAM SERVICES	SUPPORTING SERVICES	TOTAL
Salaries	\$ 1,055,767	\$ 129,157	\$ 1,184,924.00
Employees Benefits	589,468	51,258	640,726
Professional Fees	62,655	6,962	69,617
Instructional	36,317	-	36,317
Repair & Maintenance	127,132	14,126	141,258
Insurance	17,928	1,992	19,920
Equipment Rental	21,489	2,388	23,877
Depreciation	22,670	-	22,670
Professional Development	270	30	300
Travel	15,993	1,777	17,770
Office Expense	7,694	855	8,549
Transportation	368,155	-	368,155
Indirect Cost	57,649	6,405	64,054
Occupancy	187,494	20,833	208,327
Other	4,929	548	5,477
Nursing	12,549	-	12,549
Dues	4,988	554	5,542
Food Service	261,593	-	261,593
Pro Tech Services	313,170	-	313,170
TOTAL	\$ 3,167,910	\$ 236,885	\$ 3,404,795

The accompanying notes are an integral part of these financial statements

J. K. HAYNES CHARTER SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2018

<u>Cash Flows From Operating Activities:</u>			
Decrease in Net Assets		\$	(38,882)
Ajustments to reconcile increase in net assets			
To net cash used in operating activities:			
Depreciation			22,670
(Increase) decrease in operating assets:			
Grant receivable			(107,976)
Increase (decrease) in operating liabilities:			
Accounts payable			4,499
Payroll Taxes Payable			1,397
Accrued Payroll			-
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$	(118,292)
Cash Flows From Investing Activities:			
Purchase of fixed assets		\$	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		\$	(118,292)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		\$	516,811
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$	398,519
INTEREST PAID			-

The accompanying notes are an integral part of these financial statements

J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **J. K. Haynes Charter Schools, Inc.** is presented to assist an understanding of the School's financial statements. The financial statements and notes are representation of the School's management who is responsible for their integrity and objectivity. These accounting policies conform to Generally Accepted Accounting Principles and have been consistently applied in the preparation of the financial statements. The School reports to the East Baton Rouge Parish School Board (EBRPSB).

Nature of Operations

The Charter School provides educational services for Pre-Kindergarten through Sixth grades. The School is located at 8600 Grove Garden Drive in Baton Rouge, Louisiana. The Board of Directors is the intermediate authority and it consists of five members with the majority of the members domiciled in East Baton Rouge Parish. The Charter School has a director who oversees and manages the daily operations of the School.

Income Taxes

The Charter School is a nonprofit organization organized under the State of Louisiana and is exempt from taxation under section 501 (c) (3) of the internal Revenue Code.

Principles of Accounting

The financial statements of **J. K. Haynes Charter Schools, Inc.** are prepared in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis.

Basis of Presentation

J. K. Haynes Charter Schools, Inc. (JKHCSI) follows the provisions of Not-For Profit Entities Topic of FASB (FASB ASC 958), which establishes external financial reporting for non-for profit organization which includes three basis financial statements and the classifications of resources into three separate categories of net assets as follows.

Unrestricted Net assets which are free of donor-imposed restrictions: all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. (Continued)

J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

Basis of Presentation

Temporarily Restricted-Net assets whose use by JKHCSI is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of JKHCSI pursuant to such stipulations. There were no temporarily restricted net assets at June 30, 2018.

Permanently Restricted-Net assets whose use by JKHCSI is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of JKHCSI. There were no permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents

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

Use of Estimates

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

Support and Revenue

East Baton Rouge Parish School Board

The School received an allocation based on the Minimum Foundation Program dollars per child through East Baton Rouge Parish School Board (EBRPSB). This amount is allocated per child and is distributed to the School. This amount is offset by certain services provided by the School Board such as transportation and food.

Donated Facilities

J. K. Haynes Charter Schools, Inc. leased a school building owned by the EBRPSB for \$100 per month at below the facility market value rate. The difference between the facilities rent at fair market value and month rent expense is reflected as rental expense and rental contribution in the amount of **\$156,732.00**.

J.K. HAYNES CHARTER SCHOOLS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

Budgetary Data

J. K. Haynes Charter Schools, Inc. formally adopts a budget. The budgetary data are submitted to EBRPSB for approval.

NOTE B: CASH IN BANK

J.K. Haynes Charter Schools, Inc. maintains five accounts at one financial institution and the bank balance at 6/30/18 was \$151,322, which is below the FDIC limit.

NOTE C: FURNITURE & EQUIPMENT

J. K. Haynes Charter School, Inc. follows the practice of capitalizing all property and equipment acquisitions over \$1,000.00. Depreciation is computed under the straight-line method for all depreciable assets over their respective estimated useful lives. **JKHCSI** depreciates property and equipment over a five-year period and major leasehold improvement over a fifteen-year period. Depreciation expense amounted to \$22,670 as of June 30, 2018.

At June 30, 2018 property and equipment consisted of the following:

	<u>Balance</u>			<u>Balance</u>
	June 30, 2017	<u>Additions</u>		June 30, 2018
Furniture & Equipment:	\$223,141	0.00		\$223,141
Less:				
Accumulated Depreciation:	(\$103,554)	(22,670)		(\$126,224)
TOTAL	\$119,587	(22,670)		\$96,917

**J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

NOTE D – INVESTMENTS/FAIR VALUE MEASUREMENTS

As required by FASB ASC 958, the Association utilizes fair value measurements to record certain assets and to determine fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is best determined based upon quoted market prices or, when quoted prices are not available, an estimation based on present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimated future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 establishes a three-tier value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

- *Level 1* – quoted prices in active markets for identical assets or liabilities that the Association has the ability to access;
- *Level 2* – significant other observable inputs other the Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data; or
- *Level 3* – significant observable inputs that reflect an entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying amount of the Association’s investment was determined based on quoted prices in active markets (Level 1), and there have been no changes in methodologies used. These are presented below:

The following is a schedule of changes in the School’s investment:

Balance, beginning of year	\$250,000
Unrealized gains/(losses)	-0-
Interest and other earnings, net of fees	5,250
Balance, end of year	<u>\$255,250</u>

**J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

NOTE E: FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services in the accompanying statement of functional expenses.

NOTE F: OPERATING LEASE

J. K. Haynes Charter Schools, Inc. signed an operating lease for the office and classroom spaces at \$100.00 per month, which terminated June 30, 2018 a new lease was entered for the term July 1, 2017 through June 30, 2022. Minimum rental payments under the lease for the year ended June 30, 2018 was \$1200.00. The school also leases copier machines under a lease classified as an operating lease. The lease was initially entered during September 2014, for a term of 60 months, and terminates August 2019. Minimum lease payments under the lease for the year ended June 30, 2018 was \$13,068.00.

At year end June 30, 2018. The minimum lease commitments are as follows:

	Facility Rental	Copier Rental
June 30, 2019	\$1,200	\$13,068
June 30, 2020	\$1,200	\$ 2,178
June 30, 2021	\$1,200	
June 30, 2022	\$1,200	

NOTE G: PENSION PLAN

At **June 30, 2018**, the School’s employees participate in a defined benefit pension plan, The Teacher’s Retirement System of Louisiana (TRSL). The plan is a cost sharing for multiple employers.

The retirement plan--The system is administered and controlled by a Board of Trustees. All teachers are covered under the TRSL’s Regular Plan.

The system is primarily funded by employees and employer contributions. Contribution rates (employees 8% & employers’ 26.60% percent) are established by state law. The School’s contributions to TRSL for the year ended **June 30, 2018** was equal to the required contribution for the year. As of **June 30, 2018**, the School contributed a total of **\$304,068** to TRSL.

J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

NOTE H – NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The requirements of this Statement will change the presentation and disclosures of the financial statements of nonprofit organizations. This Statement also requires changes to only two classes of net assets in the statement of financial position; requires and analysis of expenses by both their nature and function in one location; investment return is reported net of external and direct internal investment expenses on the statement of activities in the net asset category in which the net investment return is reported; release of restrictions on donor-restricted gifts of cash or assets used to acquire or construct capital assets is recognized when the assets are placed in service, unless the donor places a time restriction on the use of the asset; present more information about liquidity of its financial assets and how the availability is limited by donor restrictions; and changes to net asset classification of the deficit when the fair value of the assets of an endowment is less than the original gift. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2017. The School plans to adopt this Statement as applicable by the effective date.

NOTE I: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been determined utilizing available market information and appropriate valuation methodologies. The School considers the carrying amounts of cash to approximate fair value.

NOTE J: ACCOUNTS PAYABLE

At June 30, 2018, accounts payable consisted of the following:

Accounts Payable—Vendors	\$ 24,937
East Baton Rouge School System June Accrual	\$128,591

J. K. HAYNES CHARTER SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

NOTE K: RELATED PARTY TRANSACTIONS

The School have a contract with a law firm, the related party is a multi-partnered firm. The firm was selected because of significant knowledge of Louisiana educational laws specifically those of East Baton Rouge Parish. It is also noted the firm has significant experience in charter school administration. The school paid the firm \$18,013 in legal fees for the year ended June 30, 2018.

NOTE L: LITIGATION

The School is a defendant in a pending law suit. While the final outcome cannot be determined at time, management is uncertain of the ultimate liability.

NOTE M: CONCENTRATION OF REVENUE SOURCE

J. K. Haynes Charter Schools, Inc. receives primarily all its support from East Baton Rouge Parish School Board through the State of Louisiana's Minimum Foundation Program. If the amount of support received should fall below award budgeted levels, JKHCSI's operating results could be adversely affected.

NOTE N: CONTINGENCIES AND COMMITMENTS

J. K. Haynes Charter School, Inc. is a recipient of funding from East Baton Rouge Parish School Board through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of **JKHCSI** and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms; conditions and regulations of the funding sources may be subject to recapture.

BOBBIE L. HOWARD, CPA

A Professional Accounting Corporation

921 Church Street- Rear Entrance

Houma, LA 70360

Telephone: (985) 851-6838

Fax: (985) 851-6972

E-Mail: bobbielhoward@blhcpas.com

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

To the Board of Directors

J. K. Haynes Charter Schools, Inc.

Baton Rouge, LA

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 **J. K. Haynes Charter Schools, Inc.** (a non-profit organization) which comprise the statement of financial position as of **June 30, 2018**, 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 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **J K. Haynes Charter Schools Inc.** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **J. K. Haynes Charter School, Inc.** internal control. Accordingly, we do not express and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **J.K. Haynes Charter Schools, Inc.** financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finding and questioned cost as items. Reference number 2018-1.

Purpose of this Report

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

Bobbie L. Howard

**Bobbie L. Howard,
Certified Public Accountant
Houma, LA 70360
December 18, 2018**

**BOBBIE L. HOWARD,
CERTIFIED PUBLIC ACCOUNTANT**

**A PROFESSIONAL ACCOUNTING CORPORATION
921 CHURCH STREET ~ REAR ENTRANCE
HOUMA, LA 70360
Phone: (985) 851-6838
Fax: (985) 851-6972
E-mail: bobbiehoward@blhcpas.com**

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

**To the Board of Directors
J. K. Haynes Charter Schools, Inc.
Baton Rouge, LA**

We have performed the procedures enumerated below, which were agreed to by the J.K. Haynes Charter Schools, Inc.; the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the J.K. Haynes Charter Schools, Inc. for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin ___, in compliance with Louisiana Revised Statute 24:514 I. Management of the J.K. Haynes Charter Schools, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

Difference-None

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Difference: Because of missing October 1, 2017 roll books we were not able to trace a sample of 10 classes to the required schedule.

Management's Response: We agree with the fact that rolls books are missing.

Corrective Action: J.K. Haynes Charter Schools, Inc. plans to integrate its roll books into an electronic management system currently in an RFP planning status.

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

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

Difference-None

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Difference-None

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had

we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the JK Haynes Charter Schools, Inc. required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bobbie L. Howard

Bobbie L. Howard
Houma, LA.
December 18, 2018

J. K. HAYNES CHARTER SCHOOL, INC.
SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:514-PERFORMANCE AND STATISTICAL DATA)
FOR THE YEAR ENDED JUNE 30, 2018

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

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

Schedule 2 - Class Size Characteristics

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

**J. K. HAYNES CHARTER SCHOOLS, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT
EXPENDITURES AND CERTAIN LOCAL
REVENUE SOURCES-SCHEDULE I
FOR THE YEAR ENDED JUNE 30, 2018**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 645,500.00	
Other Instructional Staff Activities	\$ 134,950.00	
Instructional Staff Employee Benefits	\$ 326,623.00	
Purchased Professional and Technical Services	\$ 356,434.00	
Instructional Materials and Supplies	\$ 44,041.00	
Instructional Equipment	\$ -	
Total Teacher and Student Interaction Activities		\$ 1,464,284.00
Other Instructional Activities		XXX
Pupil Support Activities	\$ 325,719.00	
Less: Equipment for Pupil Support Activities	XXX	
Net Pupil Support Activities		\$ 325,719.00
Instructional Staff Services	XXX	
Less: Equipment for Instructional Staff Services	XXX	
Net Instructional Staff Services		XXX
School Administration		
Less: Equipment for School Administration	XXX	
Net School Administration	XXX	XXX
Total General Fund Instructional Expenditures (Total of Column B)		\$ 1,790,003.00
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$XXX
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		\$XXX
Renewable Ad Valorem Tax		XXX
Debt Service Ad Valorem Tax		XXX
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		XXX
Sales and Use Taxes		XXX
Total Local Taxation Revenue		\$XXX
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		\$XXX
Earnings from Other Real Property		XXX
Total Local Earnings on Investment in Real Property		\$XXX
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		\$XXX
Revenue Sharing - Other Taxes		XXX
Revenue Sharing - Excess Portion		XXX
Other Revenue in Lieu of Taxes		XXX
Total State Revenue in Lieu of Taxes		\$XXX
Nonpublic Textbook Revenue		\$XXX
Nonpublic Transportation Revenue		\$XXX

See independent accountants' report on applying agreed upon procedures.

**J. K. HAYNES CHARTER SCHOOLS, INC.
 CLASS SIZE CHARACTERISTICS-SCHEDULE 2
 AS OF OCTOBER 1, 2017**

	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
School Type								
Elementary	54%	153	46%	131				
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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

See independent accountants' report on applying agreed upon procedures.

J.K. HAYNES CHARTER SCHOOLS, INC.
Schedule of Findings and Question Cost
For the Year Ended
June 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No control deficiencies disclosed during the audit of the financial statement.
3. Yes, instances of noncompliance material to the financial statements were disclosed during the audit.
4. Internal control over major federal award programs. N/A
5. Type of auditors' report issued on compliance for major programs: N/A
6. Audit findings that are required to be reported in accordance with Section 510(a) OMB Circular A-133. N/A
5. Identification of Major Program: N/A
6. Dollar threshold used to distinguish between type A and type B program: N/A
7. Auditee qualified as low-risk auditee? N/A

J.K. HAYNES CHARTER SCHOOLS, INC.
Schedule of Findings and Question Cost
For the Year Ended
June 30, 2018

ITEM 2018-1 Failure to Comply with Reporting Requirements

Criteria

Paragraph 11 (Reporting Requirement) of the “charter school contract” with East Baton Rouge School System, requires that the Organization submit on annual basis all employee’s base pay, employee’s total wages, number of days contacted, number of days worked, and sick days taken. This report must be submitted no later than July 15 for the fiscal year ending June 30.

Condition

The report was not submitted in a timely manner, instead the Report was submitted July 31, 2018.

Effect

There’s a possibility that since the Organization is not in compliance with the “contract”. The East Baton Rouge School System would have the option of voiding the contract for non-compliance, thereby, the Organization would not have the ability to provide educational opportunities to children in its target area.

Context

There was no evidence that the report was submitted in a timely manner.

Cause

JK Haynes Charter School was in the process of updating its employee manual which at that time had issues that required some legal advice on new laws affecting personnel management. The updated employee manual has reflected the new legal environment.

Recommendation

The report should be submitted to the East Baton Rouge School System as required in the “charter school contract”. In addition, management should maintain in its file, evidence of the submission which would include a transmittal letter, the report, and an acknowledgment of receipts.

Views of responsible officials and planned corrective action

Management’s Response:

JK Haynes has provided the East Baton Rouge School’s finance department timely information since its inception. We have worked closely with finance and provided accurate information for inclusion in consolidated reports in which the school district reports on a consolidated basis. We will request or develop a confirmation mechanism of receipt of our report filings.

Date Action to be Taken:

We will request or develop a confirmation mechanism of receipt of our report filings.

Person Responsible: Accountant

J. K. HAYNES CHARTER SCHOOLS, INC.
Summary Schedule of Prior Year Finding and Questioned Cost
For the Year Ended
June 30, 2018

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partially Corrective Action Taken
Section I - Financial Statement Finding				
2016-001	06/30/16	The internal Revenue Service classifies the Organization as a " semi-weekly depositor". Tax Deposits must be made in accordance with deposit schedule	Yes	Policies have put in place to assure that payroll deposits are made in a timely manner
2015-001	06/30/2015	Board Oversight and Risk Assessment-A review of the minutes of the Board of Directors it was noted that no evidence existed that the Board reviewed the financial condition of the Organization.	Yes	Board minutes and other Board considerations indicate that the Board has addressed this issue.
2015-002	06/30/2015	No evidence existed that the financial statements required by the charter school contract were ever submitted to the East Baton Rouge School System.	Yes	There was no evidence that the School was not submitting the required financial statements. The EBR School System continues to include the School in its funding.
2015-003	06/30/2015	The Organization did not have available monthly bank reconciliations, nor was the final reconciliation reviewed by management.	Yes	Evidence that the School is currently performing bank reconciliations on a monthly basis.
2015-004	06/30/2015	The books of account did not include the regular monthly transactions of the Organization. In particular, the transactions provided by the East Baton Rouge School System (EBR), which include the monthly Minimum Foundation Payment (MFP), the federal and state food grant payments, the deductions for retirement, and other expenses charged by the EBR System were not recorded in the monthly in which the transactions were incurred. Bank ACH debits and credits were not recorded from the monthly bank statements. These entries were made irregular during the year	Yes	The School is recording the transactions as required on a monthly basis.
2015-005	06/30/2015	The accounts payable file is maintained outside of the accounting software and is not reconciled to the general ledger.	Yes	Management is maintaining the accounts payable within the accounting software.
2015-006	06/30/2015	The Organization's fiscal year ended June 30, 2015 and was required to submit an audit report by December 31, 2015. However, it was not submitted until the January 2016	Yes	The audit report will be filed prior to the required time.

Supplementary Information

**J. K. HAYNES CHARTER SCHOOLS, INC.
FOR THE YEAR ENDED
JUNE 30, 2018**

**Schedule of Compensation, Benefits,
And other payments to the
Agency Head or Chief Executive Officer**

Schedule of Compensation, Benefits, and other payments to the Agency Head or Chief Executive Officer											
				Benefits	Benefits	Benefits	Per		Conferene	Special	
		Salaries	Insurance	Retirement	Medicare	Diem	Reimbursements	Travel	Meals	Total	
Diana O. Haynes											
(Director)		\$ 110,000.00	\$ -	\$ 29,260.00	\$ 1,595.00	\$ 156.00	\$ -	\$ 2,497.00		\$ 143,508.00	