

**ATHLOS ACADEMY OF JEFFERSON**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
*June 30, 2020 and 2019*

# ATHLOS ACADEMY OF JEFFERSON

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*INDEPENDENT AUDITORS' REPORT*

To the Board of Directors  
Athlos Academy of Jefferson  
Terrytown, Louisiana

We have audited the accompanying financial statements of Athlos Academy of Jefferson (the Academy) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athlos Academy of Jefferson as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020 on our consideration of Athlos Academy of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athlos Academy of Jefferson's internal control over financial reporting and compliance.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 29, 2020

# ATHLOS ACADEMY OF JEFFERSON

## STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,469,230	\$ 1,644,413
Grants receivable	681,133	337,877
Prepaid expenses	<u>-</u>	<u>53,705</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,150,363</b>	<b>2,035,995</b>
<b>NONCURRENT ASSETS</b>		
Deposits	<u>17,011</u>	<u>17,011</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>17,011</u>	<u>17,011</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,167,374</u></b>	<b><u>\$ 2,053,006</u></b>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 234,208	\$ 291,259
Accrued payroll and other liabilities	495,253	340,938
Due to related party – other	401,092	629,949
Due to related party – Athlos Academies	<u>-</u>	<u>136,823</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,130,553</u>	<u>1,398,969</u>
<b>TOTAL LIABILITIES</b>	<b>1,130,553</b>	<b>1,398,969</b>
<b>NET ASSETS</b>		
Without donor restrictions	<u>1,036,821</u>	<u>654,037</u>
<b>TOTAL NET ASSETS</b>	<u>1,036,821</u>	<u>654,037</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,167,374</u></b>	<b><u>\$ 2,053,006</u></b>

**ATHLOS ACADEMY OF JEFFERSON**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
*For the Years Ended June 30, 2020 and 2019*

	2020 Without Donor <u>Restrictions</u>	2019 Without Donor <u>Restrictions</u>
REVENUE		
State and local MFP funding	\$ 11,476,558	\$ 9,558,102
Federal and state grant revenue	1,393,738	1,233,541
Food service income	6,851	40,651
Other income	77,075	129,810
Interest income	<u>17,422</u>	<u>13,804</u>
 TOTAL REVENUE	 12,971,644	 10,975,908
EXPENSES		
Program services	7,567,122	6,764,861
General and administrative	<u>5,021,738</u>	<u>3,398,780</u>
 TOTAL EXPENSES	 <u>12,588,860</u>	 <u>10,163,641</u>
CHANGES IN NET ASSETS	382,784	812,267
NET ASSETS, Beginning of Year	<u>654,037</u>	<u>(158,230)</u>
NET ASSETS, End of Year	<u>\$ 1,036,821</u>	<u>\$ 654,037</u>

**ATHLOS ACADEMY OF JEFFERSON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For the Year Ended June 30, 2020*

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salary expense	\$ 4,232,705	\$ 728,326	\$ 4,961,031
Payroll taxes & employee benefits	916,254	147,394	1,063,648
Professional fees	606,953	1,450,702	2,057,655
Facility expense	398	2,387,200	2,387,598
Insurance	-	144,869	144,869
Student transportation	854,065	-	854,065
Food service expense	502,437	-	502,437
Travel expenses	86	3,746	3,832
Materials and supplies	70,783	96,657	167,440
Books and workbooks	275,553	-	275,553
Equipment costs	95,184	18,937	114,121
Miscellaneous expense	<u>12,704</u>	<u>43,907</u>	<u>56,611</u>
 TOTAL EXPENSES	 <u>\$ 7,567,122</u>	 <u>\$ 5,021,738</u>	 <u>\$ 12,588,860</u>

**ATHLOS ACADEMY OF JEFFERSON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For the Year Ended June 30, 2019*

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salary expense	\$ 3,385,187	\$ 584,420	\$ 3,969,607
Payroll taxes & employee benefits	625,454	159,015	784,469
Professional fees	646,854	975,165	1,622,019
Facility expense	2,018	1,286,166	1,288,184
Insurance	-	180,482	180,482
Student transportation	910,119	-	910,119
Food service expense	436,217	-	436,217
Travel expenses	4,905	8,878	13,783
Materials and supplies	84,351	126,992	211,343
Books and workbooks	472,609	-	472,609
Equipment costs	162,918	36,891	199,809
Miscellaneous expense	<u>34,229</u>	<u>40,771</u>	<u>75,000</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 6,764,861</u></b>	<b><u>\$ 3,398,780</u></b>	<b><u>\$ 10,163,641</u></b>



# ATHLOS ACADEMY OF JEFFERSON

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 382,784	\$ 812,267
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Grants receivable	(343,256)	(337,877)
Prepaid expenses	53,705	(39,604)
Deposits	-	(17,011)
Accounts payable	(57,051)	147,405
Accrued payroll and other liabilities	154,315	340,938
Due to/from related parties	<u>(365,680)</u>	<u>629,949</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(175,183)</u>	<u>1,536,067</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(175,183)	1,536,067
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,644,413</u>	<u>108,346</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,469,230</u>	<u>\$ 1,644,413</u>

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2020 and 2019*

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of Organization***

Athlos Academy of Jefferson (the Academy) was incorporated on April 19, 2016 as a nonprofit organization under the laws of the State of Louisiana. The purpose of the Academy is to provide high quality educational opportunities for the whole child built on the three foundational pillars of prepared mind, healthy body, and performance character. During the year ended June 30, 2019, the Academy began operating a school in Terrytown, Louisiana servicing students from Kindergarten through seventh grade. During the year ended June 30, 2020, the Academy expanded their services to students to include eighth grade. The Academy was approved to operate as a Type 2 charter school by the Louisiana Board of Elementary and Secondary Education (BESE) in June 2018. The Academy has partnered with Athlos Academies, an educational service provider, who provides management services and support for academic, fiscal, and operational services.

The charter contract entered into with BESE shall be effective for an initial period of four years and will terminate on June 30, 2022, unless extended for a maximum initial term of five years, contingent upon the results of a review by BESE after the completion of the third year of operation. Prior to the expiration of the current charter contract, the charter contract may be renewed at the discretion of BESE pursuant to applicable provisions of Title 17, Chapter 42, of the Louisiana Revised Statutes and BESE policy Bulletin 126.

***Basis of Accounting and Financial Statement Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”), which requires the Academy to report information regarding its financial position and activities according to the following net asset classifications:

***Net assets without donor restrictions*** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Academy. These net assets may be used at the discretion of the Academy’s management and the Board of Directors.

***Net assets with donor restrictions*** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

***Basis of Accounting and Financial Statement Presentation - Continued***

Donor restricted revenues are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. The Academy did not have any assets with donor restrictions as of June 30, 2020 and 2019.

**Revenue Recognition**

The Academy's primary sources of funding are through the State of Louisiana Public School Fund-Minimum Foundation Program (MFP) and federal and state grants. Revenues from federal and state grants are recorded when the Academy has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Academy, or when earned under the terms of the grants.

***New Accounting Pronouncements***

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities ("Topic 958") – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves accounting guidance in evaluating whether a transfer of assets is a contribution or an exchange transaction. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. The Academy has applied this standard on a modified prospective basis.

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), or ASU 606. ASU 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires the Academy to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption.

The original effective date of the guidance would have required the Academy to adopt at July 1, 2018; however, the FASB approved a deferral of the effective date which allowed the Academy to defer implementation until the year beginning July 1, 2020. The Academy is in the process of evaluating the overall impact this guidance will have on the financial statements for the year beginning July 1, 2020.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

***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.

***Fair Value of Financial Instruments***

Fair value estimates, methods and assumptions for the Academy's financial instruments of cash and cash equivalents, grants receivable, prepaid expenses, deposits, accounts payable, accrued liabilities, due to related party – Athlos Academies, and due to related party - other are that the carrying amounts reported approximate fair value at June 30, 2020 and 2019.

***Liquidity***

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash (See Note 7).

***Functional Expenses***

The cost of providing program and other activities have been summarized on a functional basis (See Statements of Functional Expenses). Accordingly, certain costs are assigned to program or supporting services based on function codes determined by management, as allowed per the Louisiana Accounting and Uniform Governmental Handbook.

***Cash and Cash Equivalents***

The Academy considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. The Academy had no cash equivalents at June 30, 2020 and 2019.

***Grants Receivable***

Grants receivables consists of receivables related to the federal grant programs and are stated at the amounts the Academy expects to collect. As of June 30, 2020 and 2019, the Academy has determined that there were no balances deemed uncollectible.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of cash deposits. The Academy at times has cash on deposit at financial institutions that is in excess of federally insured limits. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Academy has not experienced any losses in such accounts. The Academy has no policy requiring collateral or other security to support its deposits. The total bank balances were \$1,496,124 and \$1,672,289, of which \$1,244,180 and \$1,420,345 was uninsured for the years ended June 30 2020 and 2019, respectively.

**NOTE 3 – CONCENTRATIONS**

The Academy receives a significant portion of its support from the MFP. Management is not aware of any actions that will significantly affect the amount of funds the Academy will receive in future years. Approximately 89% and 87% of total revenue was received from the MFP program during the years ended June 30, 2020 and 2019, respectively.

**NOTE 4 – INCOME TAX STATUS**

The Academy received a tax-exempt ruling under Section 501(c)(3) from the Internal Revenue Service, and accordingly, is not subject to federal income tax unless the Academy has unrelated trade or business income. Management believes there are no uncertain tax positions. As of June 30, 2020, the Academy had three years of tax returns open for review by the IRS. The years 2019, 2018, and 2017 are included within the 3-year statute of limitations for IRS review. As of the date of the audit report, the Academy has not filed its tax return for the year ended June 30, 2020.

**NOTE 5 – EMPLOYEE BENEFIT PLAN**

The Academy sponsors a defined contribution plan (the Plan) for all employees qualified under Section 403(b) of the Internal Revenue Code. Contributions to the Plan by the Academy are based on the participants' contributions. The Academy pays expenses associated with the administration of the Plan. The Academy expensed contributions to the Plan totaling \$12,283 and \$15,135 during the years ended June 30, 2020 and 2019, respectively.

**NOTE 6 – LEASE**

The Academy entered into a build to suit lease agreement with, RJ Jefferson Parish I, LLC, a related party, as described in Note 8, for its school facility and related furniture and equipment in Terrytown, Louisiana, expiring August 2043. Total lease expense was \$1,698,387 and \$887,356 for the years ended June 30, 2020 and 2019, respectively. The lease agreement provides for the following minimum lease payments during the twenty-five-year term of the lease.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

NOTE 6 – LEASE - Continued

Future minimum lease payments are as follows:

<u>June 30,</u>	
2021	\$ 1,830,208
2022	1,879,610
2023	1,926,599
2024	1,974,765
2025	2,024,134
Thereafter	<u>46,445,799</u>
	<u>\$ 56,081,115</u>

Upon the seventh anniversary of the lease inception date, and on each anniversary of the inception date thereafter, base rent will increase by an amount equal to two and one-half percent (2.5%) more than the base rent payable during the immediately preceding lease year.

The school facility lease agreement has a purchase option that may be exercised as of the fifth anniversary of the inception date and shall terminate upon the eighth anniversary of the inception date. Purchase price options are as follows: “The purchase price for the premises shall be equal to the capitalized value of the base rent to be in effect in the lease year following the date of the closing, calculated with a seven and one-half percent (7.5%) cap rate (the “Option Price”).”

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,469,230	\$ 1,644,413
Grants receivable	<u>681,133</u>	<u>337,877</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,149,363</u>	<u>\$ 1,982,290</u>

Certain assets have been deemed to not likely be converted into cash within one year and therefore, are not available to be used to satisfy general expenditures in the following year.

The Academy maintains a \$200,000 line of credit with a related party, as discussed in more detail in Note 8. Approximately \$63,177 remained available on the Academy’s line of credit as of June 30 2019. The full line of credit was available as of June 30, 2020.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

**NOTE 8 – RELATED PARTIES**

The Academy entered into a master school services agreement on January 16, 2016, with School Model Support, L.L.C., dba Athlos Academies, to provide education, performance character, health and fitness programs, and school opening and ongoing management services. In addition, included in this agreement, the Academy is provided a trademark license agreement, which provides the Academy the right to use the Athlos Academies' logo. The agreement is for an initial term of five years and will expire on the fifth anniversary of the term commencement date. The Academy recognized management services expense of \$1,377,187 and \$1,146,972 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019 the Academy had a remaining balance due to School Model Support, L.L.C. of \$401,092 and \$629,949, respectively.

The Academy entered into an agreement with Athlos Academies, Partner/National Affiliate, to provide a line of credit up to \$200,000 through July 31, 2023, with a 0 % interest rate. The unpaid principal balance at June 30, 2020 and 2019 was \$0 and \$136,823, respectively, and is recorded in due to related party – Athlos Academies.

The Academy entered into a facility lease agreement with RJ Jefferson Parish I, LLC, a related party with ownership similar to Athlos Academies, to rent school facilities. This is recorded as an operating lease and is described in Note 6.

**NOTE 9 – CONTINGENCIES**

The continuation of the Academy is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

**NOTE 10 – COVID-19**

During March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a public health emergency. There have been mandates from international, federal, state, and local authorities requiring forced closures of various schools, businesses, and other facilities and organizations. The situation could negatively impact the Academy's business. While the closures and limitations of movement, domestically and internationally, are expected to be temporary, the duration of the disruption, and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of COVID-19 continue to spread, the impact could have a material adverse effect on the Academy's financial position, results of operations, or cash flows.

**ATHLOS ACADEMY OF JEFFERSON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
*June 30, 2020 and 2019*

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which corresponds with the date of the Independent Auditors' Report. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.



***SUPPLEMENTARY INFORMATION***



**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 Directors of  
Athlos Academy of Jefferson  
Terrytown, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Athlos Academy of Jefferson (the Academy), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Athlos Academy of Jefferson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Athlos Academy of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Athlos Academy of Jefferson's Response to Findings**

Athlos Academy of Jefferson's response to the finding identified in our audit is described in the accompanying management's correction action plan. Athlos Academy of Jefferson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We identified certain matters that were reported to management of Athlos Academy of Jefferson in a separate letter dated December 29, 2020.

### **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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 29, 2020

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

The Board of Directors of  
Athlos Academy of Jefferson  
Terrytown, Louisiana

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 29, 2020

**ATHLOS ACADEMY OF JEFFERSON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2020

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Passed through State of Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A190018	\$ 473,382
Direct Student Services	84.010A	S010A190018	32,940
Title II Supporting Effective Instruction State Grants	84.367	S367A190017	41,001
Special Education Cluster IDEA - Special Education Grants to States	84.027	H027A190033	<u>188,647</u>
Total Special Education Cluster			<u>188,647</u>
Total for U.S. Department of Education			735,970
U.S. Department of Agriculture			
Passed through State of Louisiana Department of Education:			
Child Nutrition Cluster National School Lunch Program	10.555*	Unknown	<u>617,993</u>
Total Child Nutrition Cluster			<u>617,993</u>
Total for U.S. Department of Agriculture			<u>617,993</u>
Total Federal Expenditures			<u>\$ 1,353,963</u>

\* This program is considered a major program under the Uniform Guidance.

**ATHLOS ACADEMY OF JEFFERSON**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of Athlos Academy of Jefferson and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position and changes in net assets of the Academy. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 – DETERMINATION OF TYPE A AND TYPE B PROGRAMS**

Federal award programs are classified as either Type A or Type B programs. For the year ended June 30, 2020, Type A programs consisted of the federal programs that expended over \$750,000 and Type B programs are the programs that expended under \$750,000.

**NOTE 3 – DE MINIMIS COST RATE**

During the year ended June 30, 2020, the Academy did not elect to use the 10% de minimis cost rate as covered in section 200.414 of the Uniform Guidance.

**NOTE 4 – SUBRECIPIENTS**

The Academy did not pass-through any of its federal awards to a subrecipient during the year ended June 30, 2020.

**NOTE 5 – NON-CASH ASSISTANCE**

No federal awards were expended in the form of non-cash assistance during the year ended June 30, 2020.

**ATHLOS ACADEMY OF JEFFERSON**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2020

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee Qualified as Low-Risk Auditee?  Yes  No



**ATHLOS ACADEMY OF JEFFERSON**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued*  
*Year Ended June 30, 2020*

**2. FINANCIAL STATEMENT FINDINGS**

**Internal Control:**

**2020-001**

**Criteria:**

Management is responsible for ensuring all funds are spent in accordance with applicable laws, regulations and approved contracts. As part of the master school services agreement with School Model Support, to provide ongoing management services, the salary and benefits of the Executive Director are paid as part of the services agreement. The Executive Director was promoted to that position during the 2019 fiscal year.

**Condition:**

During our audit procedures, we noted the Academy, in error, continued to pay for health insurance benefits for the Executive Director, in the amount of \$4,428.

**Cause:**

This was the result of management not reviewing and reconciling the invoices from their healthcare provider in a timely manner to current employee information to ensure accuracy and completeness.

**Effect:**

The Academy may have overpaid for health insurance.

**Recommendation:**

We recommend the Academy implement procedures to ensure all invoices are reviewed and reconciled timely to appropriate information to ensure this does not occur in the future.

**Management's Response:**

Management concurred with the recommendation. See Management's Corrective Action Plan.

**3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**ATHLOS ACADEMY OF JEFFERSON**  
*SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS*  
*Year Ended June 30, 2020*

**I. FINANCIAL STATEMENT FINDINGS**

2019-001 – Ethics Compliance – LSA R.S. 42:1170 - Resolved

**2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2019-002 – Submission of duplicate invoices for reimbursement - Resolved

2019-003 – Advertisement for bid - Resolved

**3. MEMORANDUM OF ADVISORY COMMENTS**

2019-01 – Inadequate documentation supporting credit cards – Resolved

2019-02 – Signatures - Resolved

2019-03 – Cash Handling Procedures – Unresolved – See Memorandum of Advisory Comments  
2020-02

**ATHLOS ACADEMY OF JEFFERSON**  
*SCHEDULE OF COMPENSATION, REIMBURSEMENTS,  
BENEFITS AND OTHER PAYMENTS TO AGENCY HEADS  
FOR THE YEAR ENDED JUNE 30, 2020*

Keisha Rogers, Executive Director

Purpose:		
Salary *	\$	12,279
Benefits		5,367
Reimbursements		<u>220</u>
Total	\$	<u>17,866</u>

\*During the fiscal year 2019, Ms. Rogers was promoted to Executive Director. The payment included here represents the final salary payment from the Academy made on her previous employment contract during the fiscal year 2020 before School Model Support assumed the responsibility per the master school services agreement.

**ATHLOS ACADEMY OF JEFFERSON**  
 SCHEDULE OF BOARD OF DIRECTORS  
 FOR THE YEAR ENDED JUNE 30, 2020

<u>Board Member</u>	<u>Compensation</u>
Nick Berg, Board Chair	\$ -
Ruben Johnson, Vice Chair	-
Tiffany Nelson, Secretary	-
Harvey Wier, Treasurer	-
Elydia Ketchens, Board Member	-
Jaquetta Wright, Board Member	-
John Foard, Former Board Member*	-
Teri Black, Former Board Member*	-
Landon Allen, Former Board Member*	-

*\*Former board member who was active during the year ended June 30, 2020.*

## CORRECTIVE ACTION PLAN AUDIT FINDINGS

December 29, 2020

### **Louisiana State Legislative Auditor**

Athlos Academy of Jefferson respectfully submits to you the following corrective action plan for the audit comments for the year ended June 30, 2020.

Kushner LaGraize, LLC  
Certified Public Accountants and Consultants  
3330 W Esplanade Ave- Suite 100  
Metairie, LA 70002

**Audit period: July 1, 2019 - June 30, 2020**

### **AUDIT FINDING**

#### **2020-001**

#### **Condition**

During our audit procedures, we noted the Academy, in error, continued to pay for health insurance benefits for the Executive Director, in the amount of \$4,428.

#### **Recommendation**

We recommend the Academy implement procedures to ensure all invoices are reviewed and reconciled timely to appropriate information to ensure this does not occur in the future.

#### **Management's Response**

Athlos Academies concurs with the recommendation. Athlos Academies will implement an additional level of review for all HR and Payroll functions. This review will be completed by the Finance and HR Manager. Athlos is also investigating software that will better connect HR functions to Payroll and Accounting

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

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

To the Board of Directors of Athlos Academy of Jefferson,  
the Louisiana Department of Education,  
and the Louisiana Legislative Auditor  
Terrytown, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Athlos Academy of Jefferson (the School) and the Louisiana Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School 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. The School is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 I)**

- I. 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 Schedule I:
  - a. Total General Fund Instructional Expenditures
  - b. Total General Fund Equipment Expenditures
  - c. Total Local Taxation Revenue
  - d. Total Local Earnings on Investment in Real Property
  - e. Total State Revenue in Lieu of Taxes
  - f. Nonpublic Textbook Revenue
  - g. Nonpublic Transportation Revenue

**We noted no exceptions.**

### **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, 2019 roll books for those classes and observed that the class was properly classified on the schedule.

**We noted no exceptions.**

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

3. We obtained October 1, 2019 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.

**Per review of the documentation maintained for the 25 individuals selected, we noted 4 individuals' education level did not agree to the data included in the October 1, 2019 PEP report. We also noted, that of the 25 individuals selected, 5 individuals' years of experience documented in their personnel file did not agree to the data included in the October 1, 2019 PEP report.**

### **Public School Staff Data: Average Salaries (NO SCHEDULE)**

4. We obtained June 30<sup>th</sup> 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).

**Per review of the documentation maintained for the 25 individuals selected, we noted 3 individuals' salary did not agree to the data included in the June 30, 2020 PEP report.**

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.



Management has responded, see attached.

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 Athlos Academy of Jefferson, as 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.

*Kushner LaGraize, L.L.C.*

December 29, 2020  
Metairie, Louisiana

**ATHLOS ACADEMY OF JEFFERSON**  
**Terrytown, Louisiana**  
**Schedules Required by State Law (R.S. 24:514 - Performance and Statistical**  
**Data) As of and for the Year Ended June 30, 2020**

**Schedule I - 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.

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 3,268,833	
Other Instructional Staff Activities	296,010	
Instructional Staff Employee Benefits	850,484	
Purchased Professional and Technical Services	286,417	
Instructional Materials and Supplies	399,016	
Instructional Equipment	<u>(95,184)</u>	
Total Teacher and Student Interaction Activities		5,005,576

Other Instructional Activities -

Pupil Support Activities	403,447	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		403,447

Instructional Staff Services	53,889	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		53,889

School Administration	1,859,720	
Less: Equipment for School Administration	<u>(17,257)</u>	
Net School Administration		<u>1,842,463</u>

Total General Fund Instructional Expenditures (Total of Column B) \$ 7,305,375

Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) \$ 112,441

**Certain Local Revenue Sources**

Local Taxation Revenue:

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

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	<u>-</u>	
Total Local Earnings on Investment in Real Property		<u>\$ -</u>

State Revenue in Lieu of Taxes:	
Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue In lieu of Taxes	\$ -
Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	\$ -

**Schedule 2 - Class Size Characteristics  
As of October 1, 2019**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34 +	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	3%	9	52%	165	2%	5	0%	0
Elementary Activity Classes	1%	2	21%	66	1%	2	0%	0
Middle/Jr. High	3%	9	13%	40	3%	10	0%	0
Middle/Jr. High Activity Classes	1%	1	1%	4	2%	6	0%	0
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.

## CORRECTIVE ACTION PLAN

December 29, 2020

### **Board of Elementary and Secondary Education Auditor**

Athlos Academy of Jefferson respectfully submits the following Corrective Action Plan in response to the BESE Agreed-Upon Procedures engagement performed for the year ended June 30, 2020.

Kushner LaGraize, LLC  
Certified Public Accountants and Consultants  
3330 W Esplanade Ave- Suite 100  
Metairie, LA 70002

**Audit period: July 1, 2019 - June 30, 2020**

### **Procedure:**

#### **Education Level/Experience of Public School Staff (NO SCHEDULE)**

Management's Response to 3: Athlos Academies of Jefferson has implemented procedures to ensure for FY21 and beyond that staff education level, and years-experience match submitted PEP reports. Additionally, Athlos Academy of Jefferson will employ a human resource specialist and has implemented an electronic management system that auto-populates education level and years-experience for proper documentation.

#### **Public School Staff Data: Average Salaries (NO SCHEDULE)**

Management's Response to 4: Athlos Academies of Jefferson has implemented procedures to ensure for FY21 and beyond that staff average salaries match submitted PEP reports. Additionally, Athlos Academy of Jefferson will employ a human resource specialist and has implemented an electronic management system that auto-populates average salaries for proper documentation.

***Memorandum of Advisory Comments***

***ATHLOS ACADEMY OF JEFFERSON***

*June 30, 2020*

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***INTERNAL CONTROL  
AND RELATED MATTERS***

Board of Directors  
**ATHLOS ACADEMY OF JEFFERSON**

We have audited the financial statements of Athlos Academy of Jefferson (the Academy), as of and for the year ended June 30, 2020, and have issued our report thereon dated December 29, 2020. As part of our audit we considered the Academy's internal control in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

Our consideration of the internal controls has been reported on in a separately issued report entitled "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."

This memorandum summarizes various other matters which have come to our attention. While not involving significant deficiencies, these matters do present opportunities for strengthening the internal control and improving the operating efficiency of the Academy.

We have discussed our comments and recommendations with various administrative personnel and board members, and the Academy has completed a corrective action plan. We will be pleased to discuss these comments and suggestions with you in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 29, 2020



**ATHLOS ACADEMY OF JEFFERSON  
MANAGEMENT LETTER COMMENTS**

*June 30, 2020*

**COMMENTS**

**2020-01**

During our audit procedures, we noted the employer portion of the retirement contributions accrued from the prior year had not been remitted as of June 30, 2020, as well as, any employer contributions for the current year. While, not remitting the employer portion timely to the Plan, is not considered a potential violation of applicable laws and regulations, the Athlos Academy of Jefferson Parish 403(b) Plan document states “the Plan Sponsor is responsible for making timely contributions to the Plan.”

**Recommendation**

To maintain a strong internal control structure and to avoid potential non-compliance with applicable laws & regulations, we recommend that management remit the employer portion of retirement contributions in accordance with their Plan document.

**Management’s Response**

See Management’s Corrective Action Plan

**2020-02**

As in prior year, Athlos Academies’ Cash Handling Procedures Manual requires the use of a cash receipt system. During our audit testing, we noted a cash receipt system is not consistently utilized.

**Recommendation**

To maintain a strong internal control structure, we recommend that management follow their policies and procedures to ensure that proper controls are implemented to prevent the potential of a misappropriation of assets, and compliance with applicable policies and procedures.

**Management’s Response**

See Management’s Corrective Action Plan

**ATHLOS ACADEMY OF JEFFERSON**  
**MANAGEMENT LETTER COMMENTS - CONTINUED**  
*June 30, 2020*

**2020-03**

Athlos Academies' Board Policy 2008, Signature Authority Policy addresses the processes and internal controls over check disbursements. However, the policy does not document the processes or internal controls over disbursements paid electronically, i.e. EFTs. During our audit testing, we noted several vendors were paid electronically.

**Recommendation**

To maintain a strong internal control structure, we recommend that management revise their policies and procedures to ensure that proper controls are documented and implemented over electronic payments.

**Management's Response**

See Management's Corrective Action Plan

**MEMORANDUM OF ADVISORY COMMENTS  
CORRECTIVE ACTION PLAN**

December 29, 2020

**Louisiana State Legislative Auditor**

Athlos Academy of Jefferson respectfully submits to you the following corrective action plan for the audit comments for the year ended June 30, 2020.

Kushner LaGraize, LLC  
Certified Public Accountants and Consultants  
3330 W Esplanade Ave- Suite 100  
Metairie, LA 70002

**Audit period: July 1, 2019 - June 30, 2020**

**COMMENTS**

**2020-01**

During our audit procedures, we noted the employer portion of the retirement contributions accrued from the prior year had not been remitted as of June 30, 2020, as well as, any employer contributions for the current year. While, not remitting the employer portion timely to the Plan, is not considered a potential violation of applicable laws and regulations, the Athlos Academy of Jefferson Parish 403(b) Plan document states “the Plan Sponsor is responsible for making timely contributions to the Plan.”

**Recommendation**

To maintain a strong internal control structure and to avoid potential non-compliance with applicable laws & regulations, we recommend that management remit the employer portion of retirement contributions in accordance with their Plan document.

**Management’s Response**

Athlos Academies will implement an additional level of review for all HR and Payroll functions. This review will be completed by the Finance and HR Manager. Athlos is also investigating software that will better connect HR functions to Payroll and Accounting.

**2020-02**

As in prior year, Athlos Academies’ Cash Handling Procedures Manual requires the use of a cash receipt system. During our audit testing, we noted a cash receipt system is not consistently utilized.

### **Recommendation**

To maintain a strong internal control structure, we recommend that management follow their policies and procedures to ensure that proper controls are implemented to prevent the potential of a misappropriation of assets, and compliance with applicable policies and procedures.

### **Management's Response**

Athlos Academies is in the process of investigating a more robust accounting system that will allow for most of the cash receipt process to be automated and reviews to be conducted electronically. Bank reconciliations will also be housed within this system and supporting documentation attached in system. This will make sure that all transactions are accounted for and investigated closer to the transaction date.

### **2020-03**

Athlos Academies' Board Policy 2008, Signature Authority Policy addresses the processes and internal controls over check disbursements. However, the policy does not document the processes or internal controls over disbursements paid electronically, i.e. EFTs. During our audit testing, we noted several vendors were paid electronically.

### **Recommendation**

To maintain a strong internal control structure, we recommend that management revise their policies and procedures to ensure that proper controls are documented and implemented over electronic payments.

### **Management's Response**

Athlos Academies will update our board policy to reflect the required authorization. EFT authorization is required for bank transactions currently but will also be emphasized through internal procedures and in the new system once implemented.