

BETTER CHOICE FOUNDATION, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Better Choice Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 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 from material misstatement.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Auditors' Responsibility, Continued

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

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

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Opinion

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

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

The accompanying financial statements have been prepared assuming that **the Foundation** will continue as a going concern. As discussed in Note 13 to the financial statements, **the Foundation** will suffer a significant loss of revenues due to the Orleans Parish School Board, **the Foundation's** Authorizer, not renewing **the Foundation's** current charter contract, which expired on June 30, 2020, and substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying Schedule of Compensation, Benefits and Other Payments to the Head of School is presented for purposes of additional analysis and is 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 taken as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of **the Foundation's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Foundation's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2020

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

| | |
|---|--------------------------------|
| Cash (NOTES 1 and 7) | \$ 1,111,951 |
| Cash held for others (NOTES 1, 3 and 7) | 22,245 |
| Grants receivable (NOTE 4) | 294,117 |
| Other receivable | <u>10,642</u> |
| Total assets | <u><u>\$ 1,438,955</u></u> |

LIABILITIES AND NET ASSETS

| | |
|--------------------------------------|--------------------------------|
| Liabilities: | |
| Accounts payable | \$ 160,091 |
| Accrued liabilities | 322,743 |
| School activity funds (NOTE 3) | <u>22,245</u> |
| Total liabilities | <u>505,079</u> |
| Net Assets: | |
| Without donor restrictions (NOTE 1) | <u>933,876</u> |
| Total net assets | <u>933,876</u> |
| Total liabilities and net assets | <u><u>\$ 1,438,955</u></u> |

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Local sources

| | |
|---|--------------|
| Minimum Foundation Program (NOTES 1 and 10) | \$ 3,313,215 |
| Interest | 1,587 |
| Contributions | 54,500 |
| Other | 43,284 |
| | <hr/> |
| Total local sources | 3,412,586 |

State sources

| | |
|---|-----------|
| Minimum Foundation Program (NOTES 1 and 10) | 2,227,774 |
| Grant | 205,162 |
| | <hr/> |
| Total state sources | 2,432,936 |

Federal grants (NOTE 1)

| | |
|--|-----------|
| | <hr/> |
| | 1,120,443 |
| | <hr/> |

| | |
|----------------|-----------|
| Total revenues | 6,965,965 |
|----------------|-----------|

EXPENSES

| | |
|---------------------|-----------|
| Program services | 4,082,224 |
| Supporting services | 3,546,344 |
| | <hr/> |

| | |
|----------------|-----------|
| Total expenses | 7,628,568 |
|----------------|-----------|

| | |
|----------------------|-----------|
| Change in net assets | (662,603) |
|----------------------|-----------|

| | |
|--|-----------|
| Net assets without donor restrictions, beginning of year | 1,596,479 |
| | <hr/> |

| | |
|--|-------------|
| Net assets without donor restrictions, end of year | \$ 933,876 |
| | <hr/> <hr/> |

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | PROGRAM SERVICES | SUPPORTING SERVICES | |
|---|---------------------|---------------------------|---------------------|
| | Instruction | Management and General | Total |
| Salaries and wages | \$ 2,932,520 | \$ 790,628 | \$ 3,723,148 |
| Employee health insurance and retirement | 107,549 | 317,305 | 424,854 |
| Payroll taxes | 255,771 | 54,180 | 309,951 |
| Total salaries and wages, and fringe benefits | 3,295,840 | 1,162,113 | 4,457,953 |
| Purchased professional and technical services | 483,982 | 649,537 | 1,133,519 |
| Purchased property services | 3,235 | 206,810 | 210,045 |
| Student transportation services | - | 635,970 | 635,970 |
| Insurance | - | 201,981 | 201,981 |
| Communications | - | 23,648 | 23,648 |
| Food service management | 3,139 | 286,063 | 289,202 |
| Other purchased services | 7,389 | 18,825 | 26,214 |
| Supplies and materials | 273,670 | 67,419 | 341,089 |
| Utilities | - | 151,529 | 151,529 |
| MFP fees | - | 128,721 | 128,721 |
| Travel | 6,375 | 13,418 | 19,793 |
| Miscellaneous | 8,594 | 310 | 8,904 |
| Total expenses | <u>\$ 4,082,224</u> | <u>\$ 3,546,344</u> | <u>\$ 7,628,568</u> |

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|----------------------------|
| Change in net assets | \$ (662,603) |
| Changes in assets and liabilities: | |
| Decrease in grants receivable | 116,585 |
| Increase in other receivables | (10,642) |
| Decrease in prepaid expenses | 29,273 |
| Increase in accounts payable | 32,432 |
| Increase in accrued liabilities | 60,943 |
| Decrease in school activity funds | (33,531) |
| Decrease in due to funding agency | (56,335) |
| Net cash used in operating activities | <u>(523,878)</u> |
| Decrease in cash | (523,878) |
| Cash, beginning of year | <u>1,658,074</u> |
| Cash, end of year | <u><u>\$ 1,134,196</u></u> |

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

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The **Better Choice Foundation, Inc. (the Foundation)** was awarded a Type 5 charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2013 to operate a public charter school d/b/a Mary D. Coghill Accelerated Charter School (Coghill). The charter for Coghill was approved for an initial three (3) year period and subject to renewal following the end of the initial operating period. On June 22, 2016, BESE approved the transfer of Coghill from the jurisdiction of the Louisiana Recovery School District to Orleans Parish School Board (OPSB) as a Type 3B charter school, with independent Local Education Agency status. The current charter contract of **the Foundation** expired on June 30, 2020 and was not renewed by OPSB (see NOTE 13). As of the date of the audit report, full dissolution of the charter school's operations, which includes the disposition of all **the Foundation's** assets, in accordance with the charter contract and state laws, and liquidation of **the Foundation's** liabilities, are pending.

The Foundation seeks to provide education services according to the educational standards established by law, the charter contract and the charter proposal; measures pupil progress toward stated goals; and participates in pupil assessments as required by law, regulation and BESE policy.

The mission of **the Foundation** is to educate, empower and motivate underprivileged children within Orleans Parish to be future leaders by infusing the latest technological resources while creating an educational environment that fosters academic excellence, encourages social competence and challenges young minds to exceed the highest levels of educational expectations in every academic field.

During the 2019-2020 school year, **the Foundation** provided educational services to students in kindergarten through eighth grades, with a total enrollment at Coghill of 560.

Basis of Accounting

The Foundation's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed assets of **the Foundation** with a unit cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful life of the asset, generally 3 to 8 years for improvements and for other property and equipment.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

At June 30, 2020, **the Foundation** had no fixed assets.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the Foundation**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The Foundation** had no cash equivalents at June 30, 2020.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes

The Foundation is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **The Foundation** files as a tax-exempt organization. Should that status be challenged in the future, **the Foundation's** 2019, 2018 and 2017 tax years are open for examination by the IRS.

Financial Statement Presentation

During the 2020 fiscal year, **the Foundation** has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the previous standard for external financial reporting by not-for-profit organizations. Under ASU 2016-14, **the Foundation** classifies resources for financial accounting and reporting purposes into two net asset categories: without donor restrictions and with donor restrictions. A description of the two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. Grants and contributions without donor restrictions, other income and expenses incurred in conducting the mission of **the Foundation** are included in this category.
- Net assets with donor restrictions include grants and contributions for which donor-imposed time and/or purpose restrictions have not been met.

At June 30, 2020, **the Foundation** had no net assets with donor restrictions.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue and Support

Grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Minimum Foundation Program (MFP)

As a Type 3B charter school, **the Foundation** received funding from OPSB in an amount based on estimated daily attendance at the schools. The amount of funding received is adjusted during the school year based on October 1st and February 1st student counts and the result of any audits performed.

Other Funding

Other revenues received consist of federal and state grants, and other revenue sources.

Budgetary Data

The Foundation formally adopts an annual budget. The budgetary data is submitted to the State of Louisiana, Department of Education for approval.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - FUNCTIONAL ALLOCATION EXPENSES:

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying Statement of Activities.

NOTE 3 - SCHOOL ACTIVITY FUNDS:

The Foundation maintains separate bank accounts for school activities. These accounts are collected for various activities from students and parents and are restricted for their collected purpose. Should those funds not be used for the intended purpose, the funds may be returned to the students and parents from whom they were collected. Restricted school activity funds totaled \$22,245 at June 30, 2020 and were reported as cash held for others and liabilities.

NOTE 4 - GRANTS RECEIVABLE:

At June 30, 2020, grants receivable consisted of the following:

| | |
|--------------------|------------------|
| High Cost Services | \$ 73,888 |
| IDEA, Part B | 21,002 |
| Strong Start | 131,275 |
| Title II | <u>67,952</u> |
| | <u>\$294,117</u> |

NOTE 5 - IN-KIND CONTRIBUTIONS

The Foundation received rent-free use of school buildings from OPSB and rent-free use of furniture and equipment. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - IN-KIND CONTRIBUTIONS (CONTINUED):

The Foundation also receives donated services from a number of unpaid volunteers assisting **the Foundation** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605 have not been satisfied, these donated services have not been recorded in the financial statements.

NOTE 6 - RETIREMENT SYSTEM:

The Foundation has a 401(k) Profit Sharing Plan that provides for a discretionary matching contribution. The matching contribution was 50% in June 30, 2020 of each participant's contribution, up to 6% of each employee's compensation.

For the year ended June 30, 2020, **the Foundation's** contributions to this plan totaled \$26,361.

NOTE 7 - CONCENTRATION OF CREDIT RISK:

The Foundation maintains non-interest bearing accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2020 were \$794,300.

NOTE 8 - RISK MANAGEMENT:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the Foundation** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Liquidity and Availability of Financial Assets:

The Foundation maintains adequate operating reserves. The current financial assets totaled \$1,411,448 are available for general expenditures, that is, without donor or other restrictions limiting their use.

NOTE 10 - CONCENTRATION OF REVENUE SOURCE:

The Foundation's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **The Foundation** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1st and February 1st, each year.

MFP revenue accounts for 80% of **the Foundation's** total support for the year ended June 30, 2020. State and federal grants are on a cost-reimbursement basis and account for 19% of **the Foundation's** total support for the year ended June 30, 2020. If the amount of revenue received should fall below budgeted award levels, **the Foundation's** operating results could be adversely affected (See NOTE 13).

NOTE 11 - CONTINGENCY:

The Foundation is a recipient of grants from the state, local and federal funding agencies. The grants are governed by various state, local and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the Foundation** and are subject to audit and/or review by grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the state, local and federal agencies may be subject to recapture.

NOTE 12 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors of **the Foundation** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2020.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - GOING CONCERN:

As of June 30, 2020, the Board of Directors of **the Foundation** accepted OPSB's decision to not renew the current charter contract of **the Foundation** to operate Coghill Charter School. **The Foundation's** current charter contract expired on June 30, 2020. **The Foundation** ceased to operate as a charter school effective on July 1, 2020.

As a consequence of OPSB's decision not to renew **the Foundation's** current charter contract to operate Coghill Charter School, **the Foundation** will sustain a significant loss of revenue sources consisting of MFP funding and State and Federal grant revenues. As a result, substantial doubt continues to exist about the ability of **the Foundation** to continue as a going concern within one year from the date that these financial statements were available to be issued.

Coghill Charter School will be operated by a different charter school operator effective July 1, 2020. The completion of the transfer of assets to OPSB is to occur subsequent to June 30, 2020. The financial statements do not include any adjustments that might be necessary if **the Foundation** is unable to continue as a going concern.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - SUBSEQUENT EVENTS:

The Foundation is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The Foundation** performed such an evaluation through December 16, 2020, the date which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused school disruption through state mandated closings of all schools in the State of Louisiana. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing. Therefore, **the Foundation** expects this matter may have negative impact on its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 15 - NEW PRONOUNCEMENTS:

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. **The Foundation** is currently assessing the impact of this new pronouncement on its financial statements.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE I

| <u>Federal Grantor/Program Name</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | |
| <i><u>Awards from a Pass-Through Entity</u></i> | | |
| <u>Passed-Through: LA State Department of Education</u> | | |
| IASA Title I, Part A | 84.010 | \$ 451,271 |
| IASA Title II, Part A | 84.367 | 71,914 |
| IASA Title IV | 84.424 | 73,285 |
| Striving Readers Comprehensive Literacy | 84.371 | 67,308 |
| DSS | 84 | 21,002 |
| IDEA, Part B | 84.027 | 127,139 |
| Total LA State Department of Education | | <u>811,919</u> |
| Total U.S. Department of Education | | <u>811,919</u> |
| <u>U.S. Department of Agriculture</u> | | |
| <i><u>Awards from a Pass-Through Entity</u></i> | | |
| <u>Passed-Through: LA State Department of Education</u> | | |
| Child Nutrition Cluster: | | |
| National School Lunch Program and Breakfast Program | 10.555, 10.553 | 308,524 |
| Total U.S. Department of Agriculture | | <u>308,524</u> |
| Total Expenditures of Federal Awards | | <u>\$ 1,120,443</u> |

NOTE: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Foundation under programs of the federal government for the year ended June 30, 2020 and is presented on the 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements. The Foundation elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report on supplementary information.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE HEAD OF SCHOOL
FOR THE YEAR ENDED JUNE 30, 2020

Head of School Name: Ms. Rayven Calloway

| <u>Purpose</u> | <u>Amount</u> |
|--|---------------|
| Salary | \$110,000 |
| Benefits – insurance | 6,170 |
| Benefits – retirement | -0- |
| Bonus | -0- |
| Car allowance | -0- |
| Vehicle provided by government | -0- |
| Per diem | -0- |
| Reimbursements | -0- |
| Travel | -0- |
| Registration fees | -0- |
| Conference travel | -0- |
| Continuing professional education fees | -0- |
| License fees | -0- |
| Unvouchered expenses | -0- |
| Stipends | -0- |
| Special meals | -0- |

See independent auditors' report on supplementary information.



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

To the Board of Directors of
Better Choice Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 16, 2020.

Internal Control Over Financial Reporting

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

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
(CONTINUED)

Internal Control Over Financial Reporting, Continued

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 weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Foundation'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 statements 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*.

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
(CONTINUED)

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 Foundation'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 Foundation'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.


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2020



Member
American Institute of
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Joseph A. Akanji, CPA

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

To the Board of Directors of
Better Choice Foundation, Inc.

Report on Compliance for the Major Federal Program

We have audited the **Better Choice Foundation, Inc.'s (the Foundation)** 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 Foundation's** major federal programs for the year ended June 30, 2020. **The Foundation's** major federal program is 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 **the Foundation's** major federal program 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

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

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 Foundation'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 Foundation's** compliance.

Opinion on the Major Federal Program

In our opinion, **the Foundation** complied, in all material respects, with the types 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 Foundation** 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 of compliance, we considered **the Foundation's** internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Foundation'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 a 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

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

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.

Purpose of this Report

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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 16, 2020

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY AUDITORS' RESULTS

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **No.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **No.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None Reported.**
- G. Type of report issued on compliance for major programs: **Unmodified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **No.**
- I. Was a management letter issued? **No.**

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Identification of Major Programs:

United States Department of Education

84.010 - Title I

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

L. Auditee qualified as a "low-risk" auditee: **No.**

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II - FINANCIAL STATEMENT FINDINGS

No matters reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

No matters reported.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2019-001 - Financial Close and Reporting Process/Submission of Audit Report

We recommended that management establishes a well-defined financial close and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) are formally documented, approved and reviewed on a regular basis. We believe once this well-defined process is established, followed and monitored for its effectiveness, reliable and timely financial statements will be prepared for the use of management and the board, and completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

Current Status

Resolved.

2019-002 - Documented Reviews and Approvals

We recommended that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, payment of termination pay to employees, bank reconciliation, quarterly 941 reconciliation of salaries and credit card charges.

Current Status

Resolved.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED

2019-003 - Cash Disbursements

We continued to recommend that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, journal entries, bank reconciliation, quarterly IRS Form 941 reconciliation of salaries and credit card charges.

Current Status

Resolved.

2019-004 - Code of Ethics Law

We recommended that **the Foundation** implement control procedures to ensure that nepotism laws of Louisiana public officers and employees are not violated.

Current Status

Resolved.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

2019-005 - Purchases

We recommended that **the Foundation** adhere to its purchases policies and procedures and ensure that all purchases in excess of \$5,000 are documented with the Board of Directors' approval. Also, we recommend that **the Foundation** strengthen its internal controls over the activities allowed or unallowed compliance requirements to ensure that all grant activities meet the requirements of granting agencies.

Current Status

Resolved.

2019-006 - Advanced Funds

We recommended that **the Foundation** implement policies and procedures to prohibit the advancement of public funds to an employee to cover anticipated reimbursable business expenses.

Current Status

Resolved.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

2019-007 - Use of Public Funds

We recommended that **the Foundation** implement policies and procedures to prohibit the use of public funds for donations in violation of the Louisiana Constitution.

Current Status

Resolved.

SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

2019-008 - Purchases

Questioned costs was reported in the Title IV federal grant program for the purchase of three computers not used for allowed Title IV grant purposes.

Current Status

Resolved.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - MANAGEMENT LETTER COMMENTS

No comments reported.