

OPERATION
SPARK  >

Audit of Financial Statements

October 31, 2022

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Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Operation Spark (the Organization), which comprise the statement of financial position as of October 31, 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of October 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the United States Department of Education Composite Score Worksheet and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
April 25, 2023

OPERATION SPARK
Statement of Financial Position
October 31, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 1,334,961
Federal and State Grants Receivable	317,385
Student Placement Fees Receivable	90,630
Program Tuition Receivable, Less Allowance for Doubtful Accounts of \$91,436	167,839
Prepaid Expenses	<u>12,150</u>

Total Current Assets	<u>1,922,965</u>
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Fixed Assets

Computer Equipment	205,329
Furniture and Fixtures	90,558
Leasehold Improvements	319,072
Accumulated Depreciation	<u>(143,709)</u>

Total Fixed Assets, Net	<u>471,250</u>
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Other Assets

Security Deposit	<u>20,000</u>
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Total Assets	<u>\$ 2,414,215</u>
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Liabilities

Accounts Payable	\$ 17,905
Credit Card Payable	2,501
Accrued Compensation and Employee Related Obligations	2,697
Deferred Revenue	<u>42,341</u>

Total Liabilities	<u>65,444</u>
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Net Assets

Without Donor Restrictions	2,341,895
With Donor Restrictions	<u>6,876</u>

Total Net Assets	<u>2,348,771</u>
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Total Liabilities and Net Assets	<u>\$ 2,414,215</u>
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The accompanying notes are an integral part of these financial statements.

OPERATION SPARK
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Program Tuition Revenue			
Adult Program Fees	\$ 520,871	\$ -	\$ 520,871
High School Program Fees	211,065	-	211,065
Less: Scholarships and Tuition Assistance Awarded	(163,163)	-	(163,163)
Total Program Tuition Revenue, Net	568,773	-	568,773
Student Placement Fees	259,601	-	259,601
Total Educational Services Program Fees			
	828,374	-	828,374
Grants and Contributions	648,829	-	648,829
Federal and State Grants	892,098	300,000	1,192,098
Interest Income	364	-	364
Other Income	5,445	-	5,445
Paycheck Protection Program Forgiveness Income	340,375	-	340,375
Net Assets Released from Restrictions	906,870	(906,870)	-
Total Revenue and Support			
	3,622,355	(606,870)	3,015,485
Expenses			
Program Services - Educational Services	2,163,968	-	2,163,968
Management and General	502,018	-	502,018
Fundraising	78,808	-	78,808
Total Expenses			
	2,744,794	-	2,744,794
Change in Net Assets	877,561	(606,870)	270,691
Net Assets, Beginning of Year	1,464,334	613,746	2,078,080
Net Assets, End of Year	\$ 2,341,895	\$ 6,876	\$ 2,348,771

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

OPERATION SPARK
Statement of Functional Expenses
For the Year Ended October 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Educational Services</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	
Salaries and Wages	\$ 1,431,215	\$ 231,807	\$ 68,692	\$ 1,731,714
Subcontractors	235,776	720	500	236,996
Occupancy	57,750	88,050	-	145,800
Payroll Taxes and Benefits	108,252	16,222	4,968	129,442
Professional Fees	14,650	74,287	-	88,937
Health Insurance	75,428	4,449	2,087	81,964
Assistance Grants	69,237	-	-	69,237
Technology	52,670	12,343	-	65,013
Marketing	50,352	874	1,500	52,726
Depreciation	40,518	10,314	-	50,832
Workers' Compensation	22,360	3,465	1,061	26,886
Utilities	3,059	12,317	-	15,376
Repairs	6,921	8,044	-	14,965
Office	2,789	8,479	-	11,268
General Insurance	-	7,521	-	7,521
Travel	1,860	4,064	-	5,924
Dues	3,850	1,997	-	5,847
Meals	1,922	2,157	-	4,079
Merchant Fees	2,688	-	-	2,688
Training	1,171	-	-	1,171
Bank Charges	-	198	-	198
Commissions	-	-	-	-
Fringe Benefits	-	-	-	-
Bad Debt (Recovery) Expense	(18,500)	14,710	-	(3,790)
Total Expenses	\$ 2,163,968	\$ 502,018	\$ 78,808	\$ 2,744,794

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

OPERATION SPARK
Statement of Cash Flows
For the Year Ended October 31, 2022

Cash Flows from Operating Activities

Change in Net Assets	\$ 270,691
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	50,832
Bad Debt Expense	(3,790)
Paycheck Protection Program Loan Forgiveness	(340,375)
(Increase) Decrease in Operating Assets	
Grants and Contributions Receivable	178,058
Federal and State Grants Receivable	(256,126)
Student Placement Fees Receivable	(16,671)
Tuition Receivable	123,857
Security Deposit	(13,750)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(70,591)
Credit Card Payable	(11,837)
Accrued Compensation and Employee Related Obligations	(111)
Deferred Revenue	(57,560)

Net Cash Used in Operating Activities (147,373)

Cash Flows from Investing Activities

Purchase of Fixed Assets	<u>(316,709)</u>
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Net Cash Used in Investing Activities (316,709)

Net Decrease in Cash and Cash Equivalents and Restricted Cash (464,082)

Cash and Cash Equivalents, Beginning of Year 1,799,043

Cash and Cash Equivalents, End of Year \$ 1,334,961

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

OPERATION SPARK

Notes to Financial Statements

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

Nature of Organization

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

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

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

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

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

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

OPERATION SPARK

Notes to Financial Statements

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

Summary of Significant Accounting Policies

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

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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

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

Cash and Cash Equivalents

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

Tuition Receivables, Student Placement Fee Receivables, and Credit Policies

Tuition receivables and student placement fee receivables consist primarily of uncollateralized, non-interest-bearing amounts due as a result of educational and training programs. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. The Organization recorded bad debt expense totaling \$3,790 during the year ended October 31, 2022. The Organization recorded an allowance for uncollectable accounts receivable as of October 31, 2022 totaling \$91,436.

OPERATION SPARK

Notes to Financial Statements

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

Grants and Contributions Receivable

The Organization records grants and contributions expected to be collected within one year at net realizable value. Grants and contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities and changes in net assets. The Organization determines the allowance for uncollectable grants and contributions based on historical experience and a review of subsequent collections. Grants and contributions are written off when deemed uncollectable. The Organization had no allowance for uncollectable grants and contributions and all grants and contributions are due within one year as of October 31, 2022.

Fixed Assets

The Organization records fixed asset additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful life of five to seven (5 to 7) years for computers, furniture, and fixtures, and fifteen (15) years for leasehold improvements. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation expense totaled \$50,832 for the year ended October 31, 2022.

Revenue Recognition

Exchange vs. Contribution

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

OPERATION SPARK

Notes to Financial Statements

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

Revenue Recognition (Continued)

Tuition Revenue - Adult Program Fees and High School Program Fees

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

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

The Organization maintains a tuition refund policy, which provides for all or a portion of tuition and program fees to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none, of the tuition and program fees are refundable, then in accordance with its revenue recognition policy, the Organization continues to recognize the tuition and program fees that were not refunded pro-rata over the applicable period of instruction. The Organization’s education programs have start and end dates that differ from its fiscal year end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statement of financial position. Adult program fees and high school program fees received in advance of services to be rendered are also recorded as deferred revenue.

Scholarships and Tuition Assistance

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

OPERATION SPARK

Notes to Financial Statements

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

Revenue Recognition (Continued)

Student Placement Fees

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

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

Grants and Contributions

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

Federal and State Grants

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

OPERATION SPARK

Notes to Financial Statements

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

Donated Services and In-Kind Donations

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

Contributed goods are recorded at their estimated fair value at the date of donation. No significant contributions of such goods were received during the year ended October 31, 2022.

Deferred Revenue

Deferred revenue relates to educational services program receipts received or invoices submitted in advance of the completion of certain performance obligations. Income from educational services program fees is deferred and recognized over the period to which they relate.

Functional Expense Reporting

The cost of program and supporting services activities has been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

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

OPERATION SPARK

Notes to Financial Statements

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

Income Taxes (Continued)

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

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

Estimates

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

Advertising Costs

Advertising costs are expensed as incurred.

Recent Accounting Pronouncement - Not Yet Adopted

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021, pursuant to the most recent extension granted under ASU 2020-05.

The Organization is currently evaluating the impact of adopting the new revenue standard on its financial statements. Adoption of Topic 842 is anticipated to result in the recording of right-of-use assets and lease liabilities related to the Organization's operating lease of approximately \$230,000 to \$250,000 at the date of adoption, November 1, 2022. The adoption of the new lease standard is not expected to materially impact net assets or cash flows and is not expected to result in a cumulative-effect adjustment to the opening balance of net assets.

OPERATION SPARK

Notes to Financial Statements

Note 2. Concentrations of Credit Risk

The Organization had two grantors that accounted for 77% of grants and contributions during the year ended October 31, 2022. There were no grants and contributions receivable amounts due from these donors at October 31, 2022.

The Organization had three customers that accounted for 93% of student placement fee revenue. Amounts due from these customers accounted for 23% of student placement fees receivable at October 31, 2022.

The Organization had two agencies that accounted for 100% of federal and state grant revenue. Amounts due from these agencies accounted for 100% of federal and state grants receivable at October 31, 2022.

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of October 31, 2022, the Organization's bank balances were approximately \$1,335,000. The Federal Deposit Insurance Corporation (FDIC) covers the total balance of accounts up to \$250,000 per financial institution. Uninsured bank balances totaled approximately \$835,000 as of October 31, 2022. To date, the Organization has not experienced losses as a result of this practice.

Note 3. Leases

On June 11, 2020, the Organization entered into a triple net leasing arrangement for office and classroom space under a non-cancelable operating lease beginning on July 1, 2020 and ending on June 30, 2023. Rent under this lease is \$10,500 per month plus additional rent charges to cover real estate taxes and insurance. This additional rental begins at \$1,650 per month and is subject to periodic adjustments. The lease provides the Organization with the right to extend the terms of the lease for an additional two-year period. Lease expense under this lease during the year ended October 31, 2022 totaled \$145,800.

OPERATION SPARK

Notes to Financial Statements

Note 3. Leases (Continued)

Future minimum lease payments under this lease are as follows:

Year Ending October 31,	Amount
2023	\$ 145,800
2024	<u>97,200</u>
Total	<u><u>\$ 243,000</u></u>

Note 4. Deferred Compensation Plan

Effective January 1, 2018, the Organization sponsored a tax-deferred retirement plan (the Plan) covering substantially all employees. The Plan provides that employees may voluntarily contribute up to 100% of their earnings to the Plan, up to the maximum contribution allowed by the Internal Revenue Service. Employer matching contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Organization may, in its sole discretion, also make a profit-sharing contribution. Employees will receive an allocation if they have completed at least 1,000 hours of service during the plan year and are employed by the Organization on the last day of the plan year. The plan year ends on December 31st. The Organization did not record any expense related to employer matching or profit-sharing contributions during the year ended October 31, 2022.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions on October 31, 2022 were available for the following programs:

Adult Workforce	<u>\$ 6,876</u>
Total	<u><u>\$ 6,876</u></u>

Net assets released from restrictions by incurring expenses satisfying the restricted purpose are as follows for the year ended October 31, 2022:

Adult Workforce	<u>\$ 906,870</u>
Total	<u><u>\$ 906,870</u></u>

OPERATION SPARK

Notes to Financial Statements

Note 6. Liquidity And Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted by donor, or subject to board-designated restriction. There were no board-designated restrictions as of October 31, 2022.

Financial Assets	
Cash and Cash Equivalents	\$ 1,334,961
Federal and State Grants Receivable	317,385
Student Placement Fees Receivable	90,630
Tuition Receivable, Net of Allowance	<u>167,839</u>
Financial Assets, at Year-End	1,910,815
Less: Those Unavailable for General Expenditure	
Within One Year, Due to Restrictions by Donors	<u>(6,876)</u>
Financial Assets Available to Meet Cash Needs	
for General Expenditures Within One Year	<u>\$ 1,903,939</u>

Note 7. Commitments and Contingencies

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

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

OPERATION SPARK

Notes to Financial Statements

Note 8. Deferred Revenue

Deferred revenues consisted of the following at October 31, 2022:

Deferred Adult Program Fees	\$ 29,484
Deferred High School Program Fees	<u>12,857</u>
Total Deferred Revenue, End of Year	<u>\$ 42,341</u>

The balance of deferred revenue as of October 31, 2022, will be recognized as revenue over the period beginning in November 2022, as services are rendered.

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

Note 9. Payroll Protection Program (PPP) Loans

On May 21, 2020, the Organization entered into a U.S. Small Business Association (SBA) Payroll Protection Program (PPP) loan with a bank in the amount of \$298,500, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. Funds from the PPP loan were used to pay expenses permitted by the program during the covered period. The Organization applied for forgiveness with the lender during 2020 and received forgiveness of \$298,500 from the SBA on June 15, 2021. The amount of loan forgiveness is presented as paycheck protection program forgiveness income on the statement of activities and changes in net assets for the year ended October 31, 2021.

On February 24, 2021, the Organization entered into a second SBA PPP loan with a bank in the amount of \$340,375, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. Funds from the PPP loan were used to pay expenses permitted by the program during the covered period. The Organization applied for forgiveness with the lender during 2021 and received forgiveness of \$340,375 from the SBA on January 14, 2022. The amount of loan forgiveness is presented as paycheck protection program forgiveness income on the statement of activities and changes in net assets for the year ended October 31, 2022.

Under the terms of the PPP loans, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness of the loans.

OPERATION SPARK

Notes to Financial Statements

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 25, 2023, and determined that there were no events which occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

OPERATION SPARK
United States Department of Education Composite Score Worksheet
October 31, 2022

Accounts	Enter Amounts	Calculated Fields
<u>Primary Reserve Ratio (Expandable Net Assets/Total Expenses)</u>		
Total Assets	\$ 2,414,215	
Total Liabilities	\$ 65,444	
Total Net Assets		\$ 2,348,771
Intangibles	\$ -	
Unsecured Related-Party Receivables	\$ -	
Net Fixed Assets	\$ 471,250	
Long-Term Debt	\$ -	\$ -
Post Employment or Retirement Liability	\$ -	
Expandable Net Assets		\$ 1,877,521
Total Expenses	\$ 2,744,794	\$ 2,744,794
<u>Equity Ratio (Modified Net Assets/Modified Assets)</u>		
Modified Net Assets		\$ 2,348,771
Modified Assets		\$ 2,414,215
<u>Net Income Ratio (Change in Unrestricted Net Assets/Total Unrestricted Revenue)</u>		
Change in Unrestricted Net Assets		\$ 877,561
Total Unrestricted Revenues	\$ 3,622,355	\$ 3,622,355
If Composite Score < 1.5, HEA Program Funds:	\$ -	

	Ratios	Strength Factor	Weights	Composite Scores
Primary Reserve:	0.6840	3.0000	40%	1.2000
Equity:	0.9729	3.0000	40%	1.2000
Net Income:	0.2423	3.0000	20%	0.6000
Composite Score				<u>3.0</u>

See independent auditor's report.

OPERATION SPARK
Schedule of Compensation, Benefits, and Other
Payments to Agency Head
For the Year Ended October 31, 2022

Agency Head
 John Fraboni, CEO

Purpose	Amount
Salary	\$187,000
Benefits - Insurance	\$5,573
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$471
Travel	\$1,545
Registration Fees	\$2,297
Conference Travel	\$2,261
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses (Mileage)	\$549
Special Meals	\$0

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

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

Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Operation Spark (the Organization) (a non-profit organization), which comprise the statement of financial position as of October 31, 2022, 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 April 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



A Professional Accounting Corporation

Covington, LA
April 25, 2023

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

Independent Auditor's Report

To the Officers and Board of Directors
Operation Spark

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Operation Spark's (the Organization) 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 Organization's major federal programs for the year ended October 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 October 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 25, 2023

OPERATION SPARK
Schedule of Expenditures of Federal Awards
For the Year Ended October 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Non-Federal Expenditures
U.S. Department of Agriculture Programs			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)			
Passed Through:			
Louisiana Department of Children and Family Services			
Pass-Through Identifying Numbers: #2000633369, #2000704346			
	10.561	\$ 892,098	\$ 892,098
Total Expenditures of Federal Awards		\$ 892,098	\$ 892,098

OPERATION SPARK
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended October 31, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended October 31, 2022. The information in the 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization has elected to use the 10% de minimus indirect cost rate, when allowed by grant-awarding agencies.

OPERATION SPARK
Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2022

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---------------------------------------------------------------------------------------------|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance for major programs | Unmodified |
| 6. Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |

	<u>Assistance Listing Number</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561

- | | |
|------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee under the Uniform Guidance? | No |

Section II. Internal Control Over Financial Reporting

None.

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

None.

OPERATION SPARK
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended October 31, 2022

Section II. Internal Control Over Financial Reporting

None.

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

None.

AGREED-UPON PROCEDURES REPORT

Operation Spark

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period November 1, 2021 - October 31, 2022

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2021 through October 31, 2022. Operation Spark's management is responsible for those C/C areas identified in the SAUPs.

Operation Spark has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period November 1, 2021 through October 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Operation Spark determined that procedures 1d) Receipts/Collections, 1g) Credit Cards, 1i) Ethics, 1j), Debt Service, and 1l), Sexual Harassment, were not applicable.

We noted the following exceptions: 1b) as (2) was not addressed; 1f) as (3) was not addressed; 1i) as (1) through (4) were not addressed; and 1k) as (3) through (6) were not addressed.

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

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: Operation Spark determined that procedures 2b) and 2c) were not applicable. No exceptions were noted as a result of performing these procedures.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

Payroll and Personnel

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

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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

Ethics

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

Results: We noted the following exceptions: 20(a) was not completed for the five (5) selected employees during the fiscal year; and 20(b) was not performed during the fiscal year (see procedure 1i).

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:
- a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

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

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

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.



A Professional Accounting Corporation

Covington, LA
April 25, 2023