

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL**

FINANCIAL STATEMENTS

FOR THE YEARS ENDING JUNE 30, 2018 AND 2017

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DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Democracy Prep Louisiana Charter School as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to the School Leader, 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 as a whole.

The Performance and Statistical Data and the Statewide Agreed Upon Procedures are not a required part of the basic financial statements but are supplementary information required by Louisiana State Law. 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. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of Democracy Prep Louisiana Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Democracy Prep Louisiana Charter School's internal control over financial reporting and compliance.

Daigrepoint & Brian APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 18, 2018

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 188	\$ 208,533
Accounts receivable, net	138,201	146,404
Due from management company	406,881	-
Other current assets	30,473	43,126
Total Current Assets	<u>575,743</u>	<u>398,063</u>
Property and Equipment		
Furniture and fixtures	180,490	75,816
Equipment	144,102	117,750
Musical instruments	22,816	4,035
Leasehold improvements	230,193	165,895
	<u>577,601</u>	<u>363,496</u>
Accumulated depreciation	(150,461)	(60,209)
Total Property and Equipment	<u>427,140</u>	<u>303,287</u>
Total Assets	<u>\$ 1,002,883</u>	<u>\$ 701,350</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Checks written in excess of cash	\$ 30,778	\$ -
Accounts payable	451,368	304,316
Accrued payroll	-	7,271
Current portion of capital lease	1,061	12,603
Due to management company	447,352	215,657
Other current liabilities	6,052	3,917
Total Current Liabilities	<u>936,611</u>	<u>543,764</u>
Long Term Liabilities		
Capital leases	-	1,061
Total Long Term Liabilities	<u>-</u>	<u>1,061</u>
Total Liabilities	<u>936,611</u>	<u>544,825</u>
Net Assets		
Unrestricted net assets	<u>66,272</u>	<u>156,525</u>
Total Liabilities and Net Assets	<u>\$ 1,002,883</u>	<u>\$ 701,350</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDING JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUES		
Minimum Foundation Program	\$ 4,174,090	\$ 2,799,944
Federal grants	351,683	259,653
State grants	5,391	2,245
Other grants	202,681	284,479
Gain on disposal of assets	-	249,687
Food service reimbursement	360,389	182,101
Contributions	405	22,483
Other income	3,976	21,281
Total Revenues	<u>5,098,615</u>	<u>3,821,873</u>
EXPENSES		
Program services	4,339,467	3,173,598
Management and general	849,401	731,583
Total Expenses	<u>5,188,868</u>	<u>3,905,181</u>
CHANGE IN NET ASSETS	(90,253)	(83,308)
Net assets - beginning of year	<u>156,525</u>	<u>239,833</u>
Net assets - end of year	<u><u>\$ 66,272</u></u>	<u><u>\$ 156,525</u></u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2018**

	Program Services	Management & General	Total
Curriculum materials and software	\$ 258,826	\$ -	\$ 258,826
Depreciation	72,202	18,051	90,253
Employee benefits	200,277	66,759	267,036
Food service	298,623	-	298,623
Insurance	53,307	13,327	66,634
Legal and Professional	32,012	375,946	407,958
Licenses and Fees	10,015	10,015	20,030
Office Expense	48,755	16,252	65,007
Other	30,130	85	30,215
Payroll Taxes	139,288	46,430	185,718
Professional Development	46,422	-	46,422
Recruiting and Marketing	73,473	-	73,473
Repairs and Maintenance	96,822	24,206	121,028
Salaries	2,101,648	223,167	2,324,815
Student Transportation	587,662	-	587,662
Technology and Computer	28,304	8,277	36,581
Telephone	26,639	6,657	33,296
Travel	116,668	10,630	127,298
Utilities	118,394	29,599	147,993
	<u>\$ 4,339,467</u>	<u>\$ 849,401</u>	<u>\$ 5,188,868</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2017**

	Program Services	Management & General	Total
Curriculum materials and software	\$ 266,447	\$ -	\$ 266,447
Depreciation	38,771	9,693	48,464
Employee benefits	143,053	47,684	190,737
Food service	168,560	-	168,560
Insurance	47,460	11,865	59,325
Legal and professional	-	390,709	390,709
Licenses and fees	9,138	9,138	18,276
Office expense	5,194	1,298	6,492
Payroll taxes	43,008	14,336	57,344
Professional development	103,337	34,446	137,783
Recruiting	15,841	-	15,841
Repairs and maintenance	68,167	-	68,167
Salaries	104,215	26,054	130,269
Stipends	1,582,121	132,174	1,714,295
Technical and professional services	321,652	-	321,652
Telephone	30,064	4,360	34,424
Transportation	32,558	8,139	40,697
Travel	120,854	23,397	144,251
Utilities	73,158	18,290	91,448
	<u>\$ 3,173,598</u>	<u>\$ 731,583</u>	<u>\$ 3,905,181</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (90,253)	\$ (83,308)
<u>Adjustments to reconcile net revenues over expenses to net cash provided by (used in) operating activities:</u>		
Depreciation	90,253	48,464
Decrease in accounts receivable	8,203	462,996
Increase in due from management company	(406,881)	-
Gain on disposal of assets	-	(249,687)
(Increase) Decrease in other current assets	12,653	(31,828)
Increase (Decrease) in accounts payable	147,051	(92,494)
Decrease in accrued payroll	(7,271)	(129)
Increase other current liabilities	2,135	2,412
Increase (Decrease) in due to management company	231,695	(108,936)
Increase in checks written in excess of cash	30,778	-
Total adjustments	<u>108,616</u>	<u>30,798</u>
Net cash provided by (used in) operating activities	<u>18,363</u>	<u>(52,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to the acquisition of capital assets	(214,105)	(198,622)
Insurance proceeds for disposal of capitalized assets	-	451,390
Net cash provided by (used in) investing activities	<u>(214,105)</u>	<u>252,768</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(12,603)</u>	<u>(12,366)</u>
Net cash used in investing activities	<u>(12,603)</u>	<u>(12,366)</u>
INCREASE (DECREASE) IN CASH	<u>(208,345)</u>	<u>187,892</u>
CASH, BEGINNING OF YEAR	<u>208,533</u>	<u>20,641</u>
CASH, END OF YEAR	<u><u>188</u></u>	<u><u>208,533</u></u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u><u>\$ 150</u></u>	<u><u>\$ 560</u></u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

1. Summary of Significant Accounting Policies

(a) Organization

Democracy Prep Louisiana Charter School (the School) was incorporated on August 12, 2013 as a non-profit corporation under the laws of the State of Louisiana. The School operates under a Type 5 charter approved by the Louisiana board of Elementary and Secondary Education (BESE) that expires June 30, 2019 and may be renewed for successive periods. The School had kindergarten, first, second and fifth through eighth grades for the 2017-2018 school year.

(b) Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal and state funds are passed through the Louisiana Department of Education.

(d) Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are for general use with no restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets can be expended currently, but only for a specified purpose designated by the grantor. There are no temporarily restricted net assets as of June 30, 2018.

Permanently Restricted Net Assets

Net assets permanently restricted for future use by the grantor or the board of directors. There are no permanently restricted net assets as of June 30, 2018.

(e) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

1. Summary of Significant Accounting Policies (continued)

(f) Accounts and Grants Receivable

Management has determined that there were no balances recorded that were uncollectible as of June 30, 2018 and 2017.

(g) Functional Expenses

The School allocates its expenses on a functional basis between its school program and management expenses. Expenses that can be identified with the school program are allocated directly according to their natural expense classification.

(h) Income Taxes

The School accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The School files information returns in the U.S. federal jurisdiction. The School first filed an information return in 2014 which is still subject to examination from tax authorities.

(i) Use of Estimates

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

(j) Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Concentrations

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Amounts in excess of insured limits at June 30, 2018 and 2017 were approximately \$0 and \$56,215. The School does not believe that it is exposed to any significant credit risk on uninsured amounts.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

3. Concentrations (continued)

The School receives the majority of its operating revenue from the Louisiana Department of Education in the form of Minimum Foundation Program funding. The School also receives funding from federal and state agencies under various programs and private foundations. The percentage of revenue and receivables over 10% from these sources is as follows:

	Revenue	Receivables
2018		
Minimum Foundation Program	82%	N/A
Federal Food Service	N/A	33%
State Grants	N/A	67%
2017		
Minimum Foundation Program	70%	N/A
Federal Grants	N/A	77%
DPPS CSP Grant	N/A	14%

4. Leases

For the year ended June 30, 2018 and 2017 the School occupied a building that was owned by East Baton Rouge Parish Schools and the Recovery School District and therefore did not have a monthly lease payment. In exchange for occupying the building at no cost, the School received lower Minimum Foundation Program funding per student.

On July 7, 2015 the School signed a capital lease for computers and other equipment. The lease was for \$37,160 with an interest rate of 1.90% payable in monthly installments of \$1,063. The interest expense for the years ending June 30, 2018 & 2017 were \$150 and \$560 respectively. A schedule of future minimum lease payments are as follows:

2019	<u>\$ 1,061</u>
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5. Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. The School capitalizes all expenditures of depreciable assets where cost exceeds \$1,000. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of the assets, which is generally three to five years. Depreciation expense at June 30, 2018 and 2017 was \$90,253 and \$48,464, respectively.

All property and equipment purchased with Louisiana Department of Education funds are owned by the School. However, these assets would revert back to the Louisiana Department of Education should the charter not be renewed.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

6. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year.

7. Retirement Plan

The School offers a 403(b) retirement plan for eligible employees. Eligibility to participate in the plan is based on the employee's age, length of service, and various other factors. For those that are eligible, the School will matchup to 5% of the employee's contributions for the first five years, 6% for the sixth year, and 1% annually thereafter until 15%. The School does not participate in the Teacher's Retirement System of Louisiana (TRSL).

For the years ended June 30, 2018 & 2017 the amounts paid related to the School's retirement plan were \$70,490 and \$66,521 respectively.

8. Management Company

The School has an agreement with Democracy Prep Public School (DPPS) to provide a school curriculum and model, as well as, management, accounting, and other services. During the year DPPS made working capital advances to cover startup and other operating expenses. DPPS and the School engage in multiple transactions in regards to short term loans, management fees, and reimbursed expenses

Outstanding amounts between DPPS and the School is as follows:

2018

Reimbursement of management fee overpaid to DPPS	\$ 397,836
Misc. DPPS expenses paid by the School	<u>9,045</u>
Due from DPPS	\$ 406,881

DPPS short term loans held by the School	\$ 207,000
Operating expenses paid by DPPS on the School's behalf	<u>240,352</u>
Due to DPPS	\$ 447,352

2017

Operating expenses paid by DPPS on the School's behalf	<u>\$ 215,657</u>
Due to DPPS	\$ 215,657

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2018**

School Leader (Executive Director)	M. Gieg
Salary	\$ 115,000
DREAM (Personal) Day Buyout	400
Benefits - insurance	19,135
	<u>\$ 134,535</u>

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Certified Public Accountants

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

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, statements of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Democracy Prep Louisiana Charter School'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 Democracy Prep Louisiana Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Democracy Prep Louisiana Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Democracy Prep Louisiana Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Daigrepoint & Brian apac

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 18, 2018

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2018**

We have audited the financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School, as of June 30, 2018 for the year ended, and have issued our report thereon dated December 18, 2018. 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.

Summary of Auditors' Reports

Financial Statements

Type of auditors' report issued:	Unmodified
Material weakness(es) identified	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Finding - Financial Statement Audit

There are no findings for the year ended June 30, 2018.

Questioned Costs

There are no questioned costs for the year ended June 30, 2018.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2017**

Summary of Prior Year Audit Findings

Finding 2017-1 – Filing with the Louisiana Legislative Auditor

Status: The findings related to the filing requirement with the Louisiana Legislative Auditor have been resolved.

Questioned Costs

There are no questioned costs for the year ended June 30, 2017

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the management of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Democracy Prep Louisiana Charter School for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514.1. Management of Democracy Prep Louisiana Charter School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

Procedure #1

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts on the Schedule:

- Total General Fund Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Results of Procedure #1

In performing the testing on the sample of expenditures/revenues we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

Class Size Characteristics (Schedule 2)

Procedure #2

We obtained a list of classes by school, school type, and class size as reported on the Schedule. We then traced a random sample of 10 classes to the October 2nd roll books for those classes and determined if the class was properly classified on the Schedule.

Results of Procedure #2

No discrepancies were noted between the classes reported on the Schedule and those in the roll books.

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

This purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Democracy Prep Louisiana Charter School, as required by Louisiana Revised Statute 24:514.1, 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 Legislative Auditor as a public document.

Daigrepoint & Brian apac

Daigrepoint & Brian
Baton Rouge, LA

December 18, 2018

DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
BATON ROUGE, LA

Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2018

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

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

Schedule 2 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Democracy Prep Louisiana Charter School
Baton Rouge, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2018**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$1,299,540	
Other Instructional Staff Activities	835	
Instructional Staff Employee Benefits	327,088	
Purchased Professional and Technical Services	142,241	
Instructional Materials and Supplies	154,107	
Instructional Equipment	<u>21,061</u>	
Total Teacher and Student Interaction Activities		\$1,944,872
Other Instructional Activities		
Pupil Support Activities	111,571	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		111,571
Instructional Staff Services		
Instructional Staff Services	236,552	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>236,552</u>
School Administration		
School Administration	665,342	
Less: Equipment for School Administration	-	
Net School Administration	<u>665,342</u>	<u>665,342</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$2,958,337</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$ 21,061</u>

See accompanying independent accountant's report on applying agreed-upon procedures

**Democracy Prep Louisiana Charter School
Baton Rouge, LA**

**Class Size Characteristics
As of October 2, 2017**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	10%	4	50%	20	40%	16		
Elementary Activity Classes	14%	1	86%	6				
Middle/Jr. High					70%	26	30%	11
Middle/Jr. High Activity Classes					100%	15		
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the management of Democracy Prep Louisiana Charter School (a non-profit) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read 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.

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.

Exception: During our review of the board minutes, it was noted that the board did not have meetings in July, August, October, November, December, February and March of the fiscal year.

- a) 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 and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit 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.*

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

- b) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

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

Bank Reconciliations

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

3. Obtain a listing of client 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 selected each 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, 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.

Collections

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).

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

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 verifies the reconciliation.

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

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

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

Exception: We noted that cash deposits were made within one business day but sequentially, pre-numbered receipts were not used.

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

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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 invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - c) 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).

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

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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, agree the reimbursement rate to 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.

Contracts

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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.
 - 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.

Payroll and Personnel

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/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/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning

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

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 documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Result: The School is a non-profit therefore this procedure is not applicable.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: The School is a non-profit therefore this procedure is not applicable.

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.

Results: The School is a non-profit therefore this procedure is not applicable.

Other

Note: In the prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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

Management's Response: We have reviewed this independent accountant's report on applying agreed-upon procedures and agrees with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

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

The purpose of this report is 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.

Daigrepoint & Brian APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 18, 2018