

GREAT HEARTS LOUISIANA, INC.

BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Great Hearts Louisiana Inc.
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Great Hearts Louisiana Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Hearts Louisiana Inc. as of June 30, 2024, and the changes in its net assets and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Great Hearts Louisiana Inc. 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 opinions.

Prior Period Financial Statements

The financial statements of Great Hearts Louisiana Inc. as of June 30, 2023 were audited by other auditors whose report dated December 1, 2023, expressed an unmodified opinion on those statements.

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.



To the Board of Directors of
Great Hearts Louisiana Inc.
Baton Rouge, Louisiana

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 Great Hearts Louisiana Inc.'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 generally accepted auditing standards, the *Louisiana Governmental Audit Guide*, 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 generally accepted auditing standards 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 Great Hearts Louisiana Inc.'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 Great Hearts Louisiana Inc.'s ability to continue as a going concern for a reasonable period of time.



To the Board of Directors of
Great Hearts Louisiana Inc.
Baton Rouge, Louisiana

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 supplementary information contained in the schedule of compensation, benefits, and other payments to agency head (Schedule “1”), as required by Louisiana Revised Statute 24:513 A.(3), 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2024 on our consideration of Great Hearts Louisiana Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Great Hearts Louisiana Inc.’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 Great Hearts Louisiana Inc.’s internal control over financial reporting and compliance.

December 1, 2024
Baton Rouge, Louisiana

Erickson Krentel, LLP

Certified Public Accountants

FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023 (AS RESTATED)

	<u>2024</u>	<u>2023</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 562,850	\$ 254,721
Grants receivable - federal and state	323,575	-
Grants receivable - other	-	450,000
Due from related party	-	15,364
Inventory	28,127	28,127
Prepaid expenses	<u>9,939</u>	<u>71,289</u>
 Total current assets	 <u>924,491</u>	 <u>819,501</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 282,448	 270,137
<u>OTHER ASSETS:</u>		
Right of use assets - operating leases, net	5,970,021	-
Deposits	<u>13,986</u>	<u>10,736</u>
 Total other assets	 <u>5,984,007</u>	 <u>10,736</u>
 Total assets	 <u>\$ 7,190,946</u>	 <u>\$ 1,100,374</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 148,830	\$ 436,467
Due to related party	32,785	224,844
Accrued expenses	136,063	36,204
Current portion of operating leases	1,231,321	-
Other liabilities	<u>8,583</u>	<u>2,942</u>
 Total current liabilities	 <u>1,557,582</u>	 <u>700,457</u>
<u>NON-CURRENT LIABILITIES:</u>		
Operating leases, net of current portion	<u>5,132,971</u>	<u>-</u>
 Total non-current liabilities	 <u>5,132,971</u>	 <u>-</u>
 Total liabilities	 <u>6,690,553</u>	 <u>700,457</u>
<u>NET ASSETS:</u>		
Without donor restrictions	<u>500,393</u>	<u>399,917</u>
 Total net assets	 <u>500,393</u>	 <u>399,917</u>
 Total liabilities and net assets	 <u>\$ 7,190,946</u>	 <u>\$ 1,100,374</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<u>REVENUE:</u>			
State/local Minimum Foundation Program funding	\$ 4,062,045	\$ -	\$ 4,062,045
Federal grants	126,859	-	126,859
Contributions and gifts	2,401,818	502,500	2,904,318
Co-Curricular revenue	33,805	-	33,805
Other income	92,350	-	92,350
Release from restrictions	<u>502,500</u>	<u>(502,500)</u>	<u>-</u>
 Total revenue	 <u>7,219,377</u>	 <u>-</u>	 <u>7,219,377</u>
<u>EXPENSES:</u>			
Program expenses	5,489,182	-	5,489,182
Management and general	1,563,575	-	1,563,575
Fundraising	<u>66,144</u>	<u>-</u>	<u>66,144</u>
 Total expenses	 <u>7,118,901</u>	 <u>-</u>	 <u>7,118,901</u>
 Change in net assets	 100,476	 -	 100,476
 Net assets, beginning of year, as restated	 <u>399,917</u>	 <u>-</u>	 <u>399,917</u>
 Net assets, end of year	 <u>\$ 500,393</u>	 <u>\$ -</u>	 <u>\$ 500,393</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023 (AS RESTATED)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
State/local Minimum Foundation Program funding	\$ -	\$ -	\$ -
Federal grants	-	-	-
Contributions and gifts	1,405,000	-	1,405,000
Co-Curricular revenue	-	-	-
Other income	-	-	-
Release from restrictions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,405,000</u>	<u>-</u>	<u>1,405,000</u>
<u>EXPENSES:</u>			
Program expenses	380,752	-	380,752
Management and general	861,714	-	861,714
Fundraising	904	-	904
	<u>904</u>	<u>-</u>	<u>904</u>
Total expenses	<u>1,243,370</u>	<u>-</u>	<u>1,243,370</u>
Change in net assets	161,630	-	161,630
Net assets, beginning of year	<u>238,287</u>	<u>-</u>	<u>238,287</u>
Net assets, end of year	<u>\$ 399,917</u>	<u>\$ -</u>	<u>\$ 399,917</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,251,315	\$ 638,802	\$ 53,943	\$ 2,944,060
Employee benefits	249,299	67,664	5,664	322,627
Retirement	26,203	7,562	1,015	34,780
Payroll taxes	172,291	49,548	4,313	226,152
Other purchased professional services	455,702	114,370	63	570,135
Purchased technical services	97,572	84,705	-	182,277
Utilities	72,772	20,649	-	93,421
Repairs & maintenance	160,054	45,415	-	205,469
Student transportation	243,631	-	-	243,631
Communications	13,655	260	-	13,915
Food service	157,012	17,993	-	175,005
Travel & meals	8,301	25,050	-	33,351
Miscellaneous purchased services	2,204	11	-	2,215
Materials & supplies	246,120	34,477	-	280,597
Insurance expense	36,131	5,060	-	41,191
Dues & fees	17,080	4,008	1,060	22,148
Miscellaneous	2,134	(368)	83	1,849
Depreciation	72,341	20,526	-	92,867
Advertising	27,794	96,424	-	124,218
IT supplies	69,324	21,356	3	90,683
Textbooks	15,498	-	-	15,498
Rentals	1,092,749	310,063	-	1,402,812
Total expenses	<u>\$ 5,489,182</u>	<u>\$ 1,563,575</u>	<u>\$ 66,144</u>	<u>\$ 7,118,901</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023 (AS RESTATED)

	Program	Management & General	Fundraising	Total
Salaries	\$ 26,754	\$ 390,797	\$ -	\$ 417,551
Employee benefits	761	28,781	-	29,542
Retirement	259	4,224	-	4,483
Payroll taxes	2,247	30,269	-	32,516
Other purchased professional services	17,565	224,123	-	241,688
Purchased technical services	-	-	-	-
Utilities	30	435	-	465
Repairs & maintenance	-	-	-	-
Student transportation	-	-	-	-
Communications	650	-	-	650
Food service	-	-	-	-
Travel & meals	510	44,574	-	45,084
Miscellaneous purchased services	28,440	3,084	-	31,524
Materials & supplies	16,538	18,678	-	35,216
Insurance expense	812	8,914	-	9,726
Dues & fees	179	2,617	-	2,796
Miscellaneous	137	2,001	-	2,138
Depreciation	-	-	-	-
Advertising	254,626	22,650	-	277,276
IT supplies	22,591	7,353	904	30,848
Textbooks	3,641	-	-	3,641
Rentals	5,012	73,214	-	78,226
	<u>380,752</u>	<u>861,714</u>	<u>904</u>	<u>1,243,370</u>
Total expenses	<u>\$ 380,752</u>	<u>\$ 861,714</u>	<u>\$ 904</u>	<u>\$ 1,243,370</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

GREAT HEARTS LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (AS RESTATED)

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 100,476	\$ 161,630
Adjustments to reconcile change in net assets to cash and cash equivalents from operating activities:		
Depreciation expense	92,867	-
Amortization expense	1,104,690	-
(Increase) decrease in:		
Grants receivable - federal and state	(323,575)	-
Grants receivable - other	450,000	(450,000)
Due from related party	15,364	(15,364)
Inventory	-	(28,127)
Prepaid expenses	61,350	(71,289)
Deposits	(3,250)	(10,736)
Increase (decrease) in:		
Accounts payable	(287,637)	424,825
Accrued expenses	99,859	36,204
Due to related party	(192,059)	224,482
Operating lease liability	(710,419)	-
Other liabilities	5,641	2,942
	<u>413,307</u>	<u>274,567</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	<u>(105,178)</u>	<u>(270,137)</u>
	<u>(105,178)</u>	<u>(270,137)</u>
Net cash (used for) investing activities	<u>(105,178)</u>	<u>(270,137)</u>
Net increase in cash and cash equivalents	308,129	4,430
Cash and cash equivalents, beginning of year	<u>254,721</u>	<u>250,291</u>
Cash and cash equivalents, end of year	<u>\$ 562,850</u>	<u>\$ 254,721</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Non-cash investing activities:		
Acquisitions obtained through operating leases	<u>\$ 7,074,711</u>	<u>\$ -</u>

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Great Hearts Louisiana, Inc. (GHLA) is a Louisiana nonprofit corporation established in the state of Louisiana. GHLA is a subsidiary of Great Hearts America (Great Hearts), an Arizona nonprofit 501(c)(3) corporation. GHLA is a tuition-free charter public school in Baton Rouge, Louisiana that will enable students to: (1) acquire critical reasoning and communication skills; and (2) explore the cultural and scientific achievements at the heart of the liberal arts and sciences. GHLA promotes a curriculum emphasizing personal integrity, creative imagination, community service, and a lifelong quest for learning. GHLA will not deny admission based on ethnicity, national origin, gender, income level, disability, religion, academic ability, artistic ability, athletic ability or the public school district that the child would otherwise attend under Louisiana law, or any other factors prohibited by law. On November 9, 2021, the Louisiana Board of Elementary and Secondary Education (BESE) approved the charter of GHLA to operate a Type 1 charter school. The current charter expires August 7, 2027. GHLA commenced operations in July 2023.

Basis of Accounting and Financial Reporting Framework

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standard Board (FASB).

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, GHLA is required to report information regarding its financial position and activities according to two classes of net assets:

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 GHLA. GHLA's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GHLA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2024 and 2023, there were no net assets with donor restrictions.

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, GHLA considers all demand deposits and highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for credit loss and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2024 and 2023, no allowance has been recorded as management considers all receivables to be fully collectible.

Property and Equipment

Property and equipment are capitalized at cost and updated for additions and retirements during the year. GHLA maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Computers and software	3 years
Textbooks	3 years

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. GHLA reports contributions of cash or other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when GHLA has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by GHLA, or when otherwise earned under the terms of the grants.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, GHLA receives services donated by parents and community members in carrying out GHLA's mission. The value of these services is not recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition under GAAP.

Leases

GHLA applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. GHLA defines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that GHLA will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

GHLA also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether GHLA can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases (continued)

GHLA is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If the lease does not provide an implicit rate, GHLA uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

Functional Expenses

Directly identifiable expenses are charged to program services, management and general, and fundraising. The costs of providing the various programs and other activities of GHLA have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. The financial statements of GHLA report certain categories of expenses that are attributable to more than one program or supporting function, such as salaries and related payroll expenses, other purchased professional services, etc. These expenses are allocated based on actual time and effort on the basis of payroll.

Income Tax Status

GHLA has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income. Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2024, GHLA believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2021 and later remain subject to examination by the taxing authorities.

New Accounting Pronouncements Adopted

GHLA has adopted the Current Expected Credit Losses (CECL) accounting standard, as per Accounting Standards Update (ASU) No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326)*." The standard introduces a new model for estimating credit losses on financial instruments. After a thorough evaluation, management has determined that the impact of adopting the CECL standard on the financial statements is immaterial. GHLA has considered factors such as historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process. As a result, the adoption of the CECL standard has not had a material impact on GHLA's financial position, results of operations, or cash flows.

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

New Accounting Pronouncements Adopted (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The adoption of these Updates had a material impact on GHLA.

Date of Management Review

Subsequent events have been evaluated through December 1, 2024, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

GHLA maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as GHLA's expenditures come due. Total amount of financial assets at year end 2024 and 2023 are \$886,425 and \$720,085, respectively.

(3) GRANTS RECEIVABLES

Grants receivable at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Due from State of Louisiana	\$ 323,575	\$ -
New Schools for Baton Rouge	-	450,000
	<u>\$ 323,575</u>	<u>\$ 450,000</u>

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(4) CONDITIONAL CONTRIBUTIONS

GHLA received conditional contributions during the fiscal year ended June 30, 2024. Conditional contributions are recorded when the donor-imposed conditions are substantially met. Certain conditions are required to be met by GHLA in the subsequent years in order to earn and receive these amounts. As of June 30, 2024, amounts awarded but not yet earned totaled \$200,000. While management believes that GHLA will meet these conditions, they had not been met as of the year ended June 30, 2024. Accordingly, no amount has been recorded for these conditional contributions as a receivable in these financial statements.

(5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30th:

	2024	2023
Computers and software	\$ 193,990	\$ 149,442
Textbooks	181,325	120,695
	375,315	270,137
Less: accumulated depreciation	(92,867)	-
Total property and equipment, net	\$ 282,448	\$ 270,137

Depreciation expense for the years ended June 30, 2024 and 2023 was \$92,867 and \$0, respectively.

(6) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended June 30th:

	2024	2023
Facilities grant	\$ 500,000	\$ -
Purchase of sport equipment	2,500	-
Net assets with donor restrictions	\$ 502,500	\$ -

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(7) CONCENTRATION OF CREDIT RISK

GHLA maintains cash in bank accounts in excess of insured limits periodically. GHLA has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. At the fiscal year end June 30, 2024 and 2023, there were uninsured deposits in the amount of \$311,923 and \$5,907, respectively.

(8) LEASE COMMITMENTS

GHLA entered into a lease for the school campus building under a five (5) year lease agreement with Great Hearts Properties Louisiana, Inc. commencing on July 15, 2023. Effective July 2022, an amendment to the lease was agreed to define terms for special covenants. Lease payments are paid monthly in amounts designated in Exhibit B. The Exhibit B payment schedule is only for the first five (5) years of the lease as the related note payable is expected to be refinanced at that time and future lease payments are currently undeterminable.

Additional information about GHLA's leases is as follows for the years ending June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 1,005,141	\$ -
Cash paid for amounts in lease liabilities	\$ 1,005,141	\$ -
Operating cash flows from operating leases	710,419	-
Right-of-use assets obtained in exchange for new operating lease liabilities	7,074,711	-
Weighted-average remaining lease term-operating leases	4 years	-
Weighted-average discount rate-operating leases	4.42%	0.00%

The maturities of lease liabilities as of June 30, 2024, are as follows:

2025	\$ 1,231,321
2026	1,286,862
2027	1,344,907
2028	1,405,572
2029	<u>1,095,630</u>
	<u>\$ 6,364,292</u>

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(9) ECONOMIC DEPENDENCY

GHLA receives the majority of its revenue from the State of Louisiana. Minimum Foundation Program (MFP) funding for the years ended June 30, 2024 totaled \$4,062,045. Funding was received from various federal grants passed through the State of Louisiana totaled \$126,859 for the year ended June 30, 2024. There was no Minimum Foundation Program or federal funding received for the year ended June 30, 2023 as the school had no commenced operations. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds GHLA receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds GHLA will receive in fiscal year 2025 relating to its grant awards.

(10) GRANT PROGRAM CONTINGENCIES

GHLA participates in a number of state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that GHLA has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2024 and 2023 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and GHLA.

(11) RELATED PARTY TRANSACTIONS

Great Hearts is the sole member of GHLA; therefore, Great Hearts is a related party. GHLA has a contract for certain management and administrative services which is based on 2.5% percent of funding provided by local and state governments. For the year ended June 30, 2024 and 2023, \$101,551 and \$61,188, respectively, was incurred for management and administrative services. As of June 30, 2024 and 2023, GHLA had \$32,785 and \$224,844 payable to Great Hearts, respectively. Total contributions of \$1,171,578 was received by GHLA from Great Hearts during the year ended June 30, 2024. No contributions were received from Great Hearts during the year ended June 30, 2023.

(12) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.

GREAT HEARTS LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(13) PRIOR PERIOD ADJUSTMENTS

During the current year, management identified an error in the prior period financial statements related to the classification of certain assets. Specifically, certain items previously recorded as property and equipment were determined to be inventory. Additionally, certain related costs that had been capitalized as part of property and equipment were determined to be expenses of the prior period. The correction has been applied retrospectively, and the financial statements as of and for the year ended June 30, 2023, have been restated accordingly. The impact of the correction on previously reported amounts is summarized below:

<u>Account</u>	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>June 30, 2023, As Restated</u>
Due from related party	-	15,364	15,364
Inventory	-	28,127	28,127
Construction in progress	320,455	(320,455)	-
Computers and software	-	149,442	149,442
Textbooks	-	120,695	120,695
Supples & materials	28,389	6,827	35,216
Ending net assets	406,745	(6,827)	399,918

SUPPLEMENTARY INFORMATION

GREAT HEARTS LOUISIANA, INC.
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Samuel Heisman</u>
Time served	07/01/23 through 06/30/24
Salary	\$ 135,272
Benefits - insurance	20,540
Benefits - retirement	1,300
Reimbursements	<u>17</u>
Total compensation, benefits, and other payments	<u>\$ 157,129</u>

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

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

To the Board of Directors and Management of
Great Hearts Louisiana, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Great Hearts Louisiana, Inc. (a non-profit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Hearts Louisiana, Inc.'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 Great Hearts Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Great Hearts Louisiana, Inc.'s internal control.

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

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



To the Board of Directors and Management
Great Hearts Louisiana, Inc.
Baton Rouge, Louisiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Hearts Louisiana, Inc. 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 Great Hearts Louisiana, Inc. internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Hearts Louisiana, Inc. 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.

December 1, 2024
Baton Rouge, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

GREAT HEARTS LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Great Hearts Louisiana, Inc.
2. No significant deficiencies or material weakness in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. A management letter was not issued for the year ended June 30, 2024.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statements for the year ended June 30, 2024.

GREAT HEARTS LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding 2023-001 Employee Training and Supervision

Condition: GHLA did not identify and record all accounts payable, fixed assets, and expenses that occurred throughout the year, which caused total accounts payable to be understated by approximately \$117,000, fixed assets to be understated by approximately \$83,000, and expenses to be understated by \$34,000.

This finding has been resolved as of June 30, 2024.

II. MANAGEMENT LETTER

Not applicable.

**SCHEDULES REQUIRED BY STATE LAW
(PERFORMANCE STATISTICAL DATA)**



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management of
Great Hearts Louisiana, Inc.
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of Great Hearts Louisiana, Inc. for the fiscal year ended June 30, 2024; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of Great Hearts Louisiana, Inc. is responsible for its performance and statistical data.

Great Hearts Louisiana, Inc. 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 performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their 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:

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

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

Results: One of the expenses did not have evidence it was classified correctly and was not reported in the proper amount.



To the Board of Directors and Management of
Great Hearts Louisiana, Inc.

Class Size Characteristics (Schedule 2)

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

Results: Eight classes selected did not agree to the roll books.

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

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

Results: Five employees' education levels did not agree between the PEP report and the personnel file and four employees' years of experience did not agree between the PEP report and the personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

Results: Two employees' salary information did not agree between the PEP report and the personnel file.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors and Management of
Great Hearts Louisiana, Inc.

We were engaged by Great Hearts Louisiana, Inc. 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 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 engagement, 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.

We are required to be independent of Great Hearts Louisiana, Inc. 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 and results of testing performed on the performance and statistical data accompanying the annual financial statements of Great Hearts Louisiana, Inc., as required by Louisiana Revised Statute 24:514.I, and for the information and use of Great Hearts Louisiana, Inc., the Louisiana Department of Education, and the Louisiana Legislative Auditor. Accordingly, this report is not suitable for any other purpose and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

December 1, 2024
Baton Rouge, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

GREAT HEARTS LOUISIANA, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2024

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	Column A	Column B
General Fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$ 1,693,054	
Other instructional staff salaries	331,891	
Instructional staff employee benefits	414,046	
Purchased professional and technical services	39,635	
Instructional materials and supplies	256,046	
Instructional equipment	-	
Total teacher and students interaction activities	-	\$ 2,734,672
Other instructional activities		9,425
Pupil support services	209,440	
Less: equipment for pupil support services	-	
Net pupil support services	-	209,440
Instructional staff services	19,231	
Less: equipment for instructional staff services	-	
Net instructional staff services	-	19,231
School administration	907,489	
Less: equipment for school administration	-	
Net school administration	-	907,489
Total General Fund instructional expenditures (total of column B)		<u>\$ 3,880,257</u>
Total General Fund equipment expenditures		<u>\$ -</u>
<u>CERTAIN LOCAL REVENUE SOURCES</u>		
Total local taxation revenue		<u>\$ -</u>
Total local earnings on investment in real property		<u>\$ -</u>
Total state revenue in lieu of taxes		<u>\$ -</u>
Nonpublic textbook revenue		<u>\$ -</u>
Nonpublic transportation revenue		<u>\$ -</u>

(See Independent Accountants' Report on Applying Agreed-Upon Procedures)

GREAT HEARTS LOUISIANA, INC.
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2024
AS OF OCTOBER 1, 2023

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	68%	89	26%	34	6%	8		
Elementary/Activity Classes	52%	11	43%	9	5%	1		
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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

GREAT HEARTS LOUISIANA, INC.
CORRECTIVE ACTION PLAN – BESE AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

December 1, 2024

Louisiana Legislative Auditor

Great Hearts Louisiana, Inc. respectfully submits the following corrective action plan for items identified pursuant to the BESE Agreed-Upon Procedures Engagement prescribed by you and the Louisiana Department of Education.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
8550 United Plaza Boulevard, Suite 600
Baton Rouge, Louisiana 70809

Engagement Period: July 1, 2023 – June 30, 2024

The exceptions from the Agreed-Upon Procedures Report are discussed below:

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

Exceptions: One of the expenses did not have evidence it was classified correctly and was not reported in the proper amount.

Class Size Characteristics (Schedule 2)

Exceptions: Eight of ten classes selected did not agree to the roll books.

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

Exceptions: Five employees' education levels did not agree between the PEP report and the personnel file and four employees' years of experience did not agree between the PEP report and the personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

Exceptions: Two employees' salary information did not agree between the PEP report and the personnel file.

Management's Response to Exceptions:

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

GREAT HEARTS LOUISIANA, INC.
CORRECTIVE ACTION PLAN – BESE AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Management has identified the cause of the stated exception and has implemented training. Training specifically included a review of the proper procedures for staff expense reimbursement submissions.

Class Size Characteristics (Schedule 2)

Management will engage with the data teams of the local authorizer and, where necessary, the Louisiana Department of Education (LDOE) to ensure that system reports are not impacted by timing of and/or data transfers.

Education Levels/Experience of Public-School Staff (NO SCHEDULE) & Public School Staff Data: Average Salaries (NO SCHEDULE)

Management has remediated the exceptions identified by the audit. Additionally, management has received additional training through the local authorizer and has implemented policies and procedures for reviewing the data in more detail to ensure accuracy in future reporting periods.

If there are any questions regarding this plan, please call Holly Manuel, Senior Finance Manager, at (225) 416-7611.

Sincerely,



Signature

Chief Financial Officer

Title

GREAT HEARTS LOUISIANA, INC.

BATON ROUGE, LOUISIANA

AGREED-UPON PROCEDURES

FOR THE YEAR ENDED

JUNE 30, 2024



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board and Management of Great Hearts Louisiana Inc. 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's) Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2024. Great Hearts Louisiana Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Great Hearts Louisiana Inc. 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 LLA's SAUPs for the year ended June 30, 2024. Additionally, 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.

Our procedures and associated findings are detailed in Schedule "1".

We were engaged by Great Hearts Louisiana Inc. 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 Great Hearts Louisiana Inc. 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.

December 1, 2024
Baton Rouge, Louisiana


Certified Public Accountants

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2024

WRITTEN POLICIES AND PROCEDURES

1. Obtain and inspect the entity's written policies and procedures and observe whether 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 rates 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. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - h. ***Credit Cards*** (and debit cards, fuel cards, purchase 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).
 - 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.

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

- 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. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Missing written policies and procedures regarding contracts for (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

BOARD AND 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 whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-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.
 - 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.
 - d. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of applying the procedures.

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

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 written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - c. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: One out of two accounts had no evidence they were prepared or approved within the applicable timeframes.

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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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 responsible for cash collections do not share cash drawers/registers;
 - b. Each employee responsible for collecting cash is not also 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 also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
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employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

- d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also 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 in force during the fiscal period.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3 (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). Alternatively, 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: Two of the deposits were not made within one business day of collection.

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, 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 procedure #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and

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procedures relating to employee job duties (if the agency has no written policies and procedures, then 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 or 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; and
 - e. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
10. For each location selected under procedure #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 whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - b. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of applying the procedures.

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AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS (CARDS)

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
13. 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 whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - b. Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under procedure #13 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 (e.g., each card should have 10 transactions subject to inspection) 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Great Hearts maintained no data or supporting documentation for three of their eight transactions on their closed PEX cards. Great Hearts also did not maintain records for meal participants for meal transactions.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

15. 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 and 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

GREAT HEARTS LOUISIANA, INC.
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FOR THE YEAR ENDED JUNE 30, 2024

- 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 Policies and Procedures procedure #1A(vii); and
- d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedures.

CONTRACTS

16. 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. Alternatively, 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 whether 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 whether 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, the documented approval); and
 - 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 found as a result of applying the procedures.

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

PAYROLL AND PERSONNEL

17. 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.
18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #17 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),
 - b. Observe whether 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, and
 - d. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
19. 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 and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
20. 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 found as a result of applying the procedures.

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

ETHICS

21. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17 obtain ethics documentation from management, and
 - a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170, and
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: No exceptions were found as a result of applying the procedures.

DEBT SERVICE

23. 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 as required by Article VII, Section 8 of the Louisiana Constitution.
24. 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: Not applicable as Great Hearts Louisiana, Inc. did not issue or have any outstanding debt during the period.

FRAUD NOTICE

25. 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 as required by R.S. 24:523.
26. 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.

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Results: No exceptions were found as a result of applying the procedures.

INFORMATION TECHNOLOGY DISASTER RECOVERY/BUSINESS CONTINUITY

27. 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then 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.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

29. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training, and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

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

GREAT HEARTS LOUISIANA, INC.
AGREED-UPON PROCEDURES (COUNTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

PREVENTION OF SEXUAL HARASSMENT

30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, 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 as required by R.S. 42:343.
31. 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).
32. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report 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: Not applicable as Great Hearts Louisiana, Inc. is not subject to the sexual harassment law or training requirements as a charter school.

GREAT HEARTS LOUISIANA, INC.
CORRECTIVE ACTION PLAN –
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2024

December 1, 2024

Louisiana Legislative Auditor

Great Hearts Louisiana, Inc. respectfully submits the following corrective action plan for items identified pursuant to the Statewide Agreed-Upon Procedures prescribed by you.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
8550 United Plaza Boulevard, Suite 600
Baton Rouge, Louisiana 70809

Engagement Period: July 1, 2023 – June 30, 2024

The exceptions from the statewide agreed-upon procedures report are discussed below:

Written Policies and Procedures

Exceptions: The written policies and procedures addressed each financial/business function except for the following: (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Bank Reconciliations

Exceptions: One out of two accounts had no evidence they were prepared or approved within the applicable timeframes.

Collections (Excluding Electronic Funds Transfers)

Exceptions: Two of the deposits were not made within one business day of collection.

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

Exceptions: Great Hearts maintained no data or supporting documentation for three of their eight transactions on their closed PEX cards. Great Hearts also did not maintain records for meal participants for meal transactions.

GREAT HEARTS LOUISIANA, INC.
CORRECTIVE ACTION PLAN –
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Management's Response to Exceptions:

Written Policies & Procedures

Management recognizes the importance of a comprehensive Contracts Management Policy to ensure proper oversight and the various areas of risk. Management will develop a comprehensive Contracts Policy and Procedure to be reviewed and approved by the Great Hearts Louisiana Board.

Bank Reconciliations

Management has placed the proper controls and systems in place to ensure reconciliations are prepared and approved timely.

Collections

Management makes every effort to conduct deposits within one business day of collection. Management also recognizes that various constraints may arise in the normal course of business which prevent the school from making deposits within one business day.

Credit/Debit Cards

Management implemented a pre-paid card program for teaching staff in FY23-24. Cards were allocated a nominal amount with the explicit guidance of purchasing instructional materials and supplies. However, due to staff workloads and administrative burden, the program was terminated mid year. The School has no indication that any fraudulent activity occurred. From time to time, the School and/or the Parent Service Organization may purchase singular or group meals related to working lunches, travel, or larger gatherings encompassing the full faculty. Management recognizes additional training is necessary to ensure meal participants are identified when these transactions occur.

If there are any questions regarding this plan, please call Holly Manuel, Senior Finance Manager, at (225) 416-7611.

Sincerely,



Signature

Chief Financial Officer

Title