

Financial Report

*Advocates for Arts-Based
Education Corporation
d/b/a Lusher Charter School*

June 30, 2021

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d/b/a Lusher Charter School**
New Orleans, Louisiana

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New Orleans, Louisiana**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (a non-profit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Lusher Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School as of June 30, 2021, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's financial statements, and our report dated December 16, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule (Schedule 1) is presented for purposes of additional analysis, is required by Louisiana Revised Statute 24:513(a)(3), 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 16, 2021 on our consideration of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreement, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2021.

STATEMENT OF FINANCIAL POSITION

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2021
(with comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,897,209	\$ 6,569,972
Grants receivable	169,563	241,970
Prepaid expenses	227,871	245,228
Investments	16,887,778	14,592,430
Other	366,471	380,391
Property and equipment, net	3,503,689	3,617,779
Total assets	\$25,052,581	\$25,647,770
LIABILITIES		
Accounts payable	\$ 350,685	\$ 132,346
Accrued expenses	1,615,133	1,473,266
Loans payable	-	3,214,000
Total liabilities	1,965,818	4,819,612
NET ASSETS		
Without donor restrictions	22,721,222	20,481,272
With donor restrictions	365,541	346,886
Total net assets	23,086,763	20,828,158
Total liabilities and net assets	\$25,052,581	\$25,647,770

See notes to financial statements.

STATEMENT OF ACTIVITIES

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals Only
Revenues and Other Support				
Contributions	\$ 26,822	\$ 212,423	\$ 239,245	\$ 216,216
Grants:				
Government	771,909	-	771,909	679,602
State - Minimum Foundation Program	6,343,890	-	6,343,890	5,602,083
Local - Minimum Foundation Program	11,044,934	-	11,044,934	12,159,243
Other	4,798	-	4,798	11,576
Student activity fees	449,581	-	449,581	660,799
Other revenue	453,298	-	453,298	789,999
Paycheck Protection Program loan forgiveness	3,214,000	-	3,214,000	-
Investment income	8,357	-	8,357	496,786
Net assets released from restrictions	193,768	(193,768)	-	-
Total revenues and other support	<u>22,511,357</u>	<u>18,655</u>	<u>22,530,012</u>	<u>20,616,304</u>
Expenses				
Program services	18,627,630	-	18,627,630	18,423,788
Management and general	1,550,947	-	1,550,947	832,952
Fundraising	92,830	-	92,830	90,637
Total expenses	<u>20,271,407</u>	<u>-</u>	<u>20,271,407</u>	<u>19,347,377</u>
Increase in net assets	2,239,950	18,655	2,258,605	1,268,927
Net Assets				
Beginning of year	<u>20,481,272</u>	<u>346,886</u>	<u>20,828,158</u>	<u>19,559,231</u>
End of year	<u>\$22,721,222</u>	<u>\$ 365,541</u>	<u>\$23,086,763</u>	<u>\$20,828,158</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**For the year ended June 30, 2021
(with comparative totals for 2020)

	2021			Total Expenses	2020 Totals Only
	Program Services	Management and General	Fundraising		
Advertising	\$ 12,047	\$ -	\$ -	\$ 12,047	\$ 9,056
Conferences	-	-	-	-	4,680
Depreciation	166,393	8,759	-	175,152	174,953
Dues and fees	411,746	4,139	694	416,579	425,359
Employee benefits	1,017,866	66,240	5,920	1,090,026	997,190
Field trips	6,211	-	-	6,211	121,073
Information technology	464,179	720	24	464,923	112,254
Insurance	131,973	6,946	-	138,919	140,343
Interest	-	1,242	-	1,242	2,543
Legal and accounting	70,204	241,963	-	312,167	113,603
Occupancy	768,437	40,444	-	808,881	852,133
Office expenses	953,104	37,016	3,231	993,351	1,020,448
Other expenses	3,981	214	53	4,248	59,298
Other purchased services	228,610	-	-	228,610	231,744
Payroll taxes	187,668	5,825	1,296	194,789	200,598
Professional and technical services	333,333	12,769	2,591	348,693	469,672
Retirement contributions	2,673,258	262,861	11,653	2,947,772	2,814,722
Salaries and wages	11,129,133	857,007	66,286	12,052,426	11,473,322
Student transportation	36,345	-	-	36,345	77,342
Travel	33,142	4,802	1,082	39,026	47,044
	<u>\$18,627,630</u>	<u>\$1,550,947</u>	<u>\$ 92,830</u>	<u>\$20,271,407</u>	<u>\$19,347,377</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

For the year ended June 30, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$2,258,605	\$ 1,268,927
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	175,152	174,954
Paycheck Protection Program loan forgiveness	(3,214,000)	-
Unrealized (gain) loss on investment	180,540	(213,814)
Realized loss on investments	12,610	16,262
(Increase) decrease in assets:		
Grants receivable	72,407	(23,971)
Prepaid expenses	17,357	(34,745)
Other	13,920	102,969
Increase in liabilities:		
Accounts payable and accrued expenses	360,206	23,418
Net cash provided by (used in) operating activities	(123,203)	1,314,000
Cash Flows From Investing Activities		
Property and equipment purchases	(61,062)	(440,044)
Proceeds from maturities of investments	6,167,108	6,294,904
Purchases of investments	(8,655,606)	(6,399,613)
Net cash used in investing activities	(2,549,560)	(544,753)
Cash Flows From Financing Activities		
Proceeds from loan payable	-	3,214,000

**Exhibit D
(Continued)**

	<u>2021</u>	<u>2020</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,672,763)	3,983,247
Cash and Cash Equivalents		
Beginning of year	<u>6,569,972</u>	<u>2,586,725</u>
End of year	<u>\$3,897,209</u>	<u>\$ 6,569,972</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2021 and 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization**

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the "School"), incorporated on August 24, 2005, is an educational institution organized to improve student learning, to increase learning opportunities for all students, to encourage the use of innovative teaching methods, to be more thoroughly accountable for education results, and to create new professional opportunities for teachers and other school employees.

The Orleans Parish School Board (OPSB) approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 Charter School, as defined in LA R.S.17:3973(3)(b). On January 18, 2011, OPSB voted to renew the charter for a period of ten years. On December 8, 2020, OPSB voted to renew the charter for a period of ten years effective July 1, 2021.

Effective July 1, 2017, OPSB approved the first amendment to the charter operating agreement granting approval of the School to act as its own local educational authority (LEA) for one or more funding purposes or statutory definition, in accordance with LA R.S. §17:3995 and rules adopted by the Louisiana Board of Elementary and Secondary Education.

b. Basis of Accounting

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d. Cash and Cash Equivalents

The School classifies as cash and cash equivalents all highly liquid debt instruments with an initial maturity of three months or less.

e. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are fully collectible.

f. Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2021 and 2020, the School did not have outstanding conditional or unconditional promises to give.

g. Investments

Investments in U.S. Government and Government Agency bonds and notes and the mutual fund are stated at fair market value.

h. Property, Equipment, and Depreciation

Additions to physical plant and facilities are capitalized in accordance with the *Louisiana Accounting and Uniform Governmental Handbook*, which requires the School to capitalize property and equipment purchases with a cost greater than \$5,000. Depreciation is provided utilizing the straight-line method over estimated useful lives of the assets.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Compensated Absences

All employees accrue ten days of leave each year, of which a maximum of ten days may be carried forward to the following fiscal year. The employee may use the leave days carried forward from the prior year, but will receive no additional compensation. Upon termination, the employee will receive payment for a maximum of twenty days at a per diem rate of \$75. Unused leave over ten days at the end of the fiscal year are paid at the per diem rate. The School accrues leave and related payroll liabilities for all employees who have ten or less leave days at the per diem rate.

j. Revenue Recognition

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

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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

Student activity fees are reported as an increase in net assets without donor restrictions when they are billed. Student activity fees consist of childcare, summer arts, and summer sports camp activities.

k. Functional Allocation of Expenses

The costs of providing programs and other activities are summarized in the Statement of Functional Expenses. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense and fundraising expense) based on management's estimate of periodic time and expense evaluations. Additionally, some expenses are allocated on the basis of management's estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. In-kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support for the years ended June 30, 2021 and 2020 was deemed insignificant.

m. Financial Statement Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Support, revenue, and expenses for general operations.

Net Assets With Donor Restrictions - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the School.

n. Tax Matters

The School has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School 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, 2021, management of the School believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2018 and later remain subject to examination by the taxing authorities.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The ASU is effective for annual reporting periods beginning after December 15, 2020, with certain early adoption provisions available. The School has adopted the provisions of ASU 2014-09 and retrospectively applied this standard to financial statements as of and for the year ended June 30, 2020. The adoption of this standard did not have a material impact on the financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The School is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

p. Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 financial statement preparation.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 16, 2021, which is the date the financial statements were available to be issued.

Note 2 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 are restricted for the following purposes:

	2021	2020
Subject to expenditure for specified purpose:		
Instructional and other	\$365,541	\$346,886

Note 3 - INVESTMENTS

Investments as of June 30, 2021 and 2020 are composed of the following:

	2021		
	Cost	Fair Market Value	Excess of Market Over Cost
U.S. Government and Government Agency bonds and notes	\$16,324,780	\$16,420,877	\$ 96,097
Mutual fund	466,901	466,901	-
Totals	\$16,791,681	\$16,887,778	\$ 96,097
	2020		
	Cost	Fair Market Value	Excess of Market Over Cost
U.S. Government and Government Agency bonds and notes	\$13,953,104	\$14,229,741	\$276,637
Mutual fund	362,689	362,689	-
Totals	\$14,315,793	\$14,592,430	\$276,637

Note 3 - INVESTMENTS (Continued)

Investment activity for the years ended June 30, 2021 and 2020 is as follows:

	Cost	Market	Excess of Market Over Cost
Balances as of June 30, 2021	\$ 16,791,681	\$ 16,887,778	\$ 96,097
Balances as of June 30, 2020	\$ 14,315,793	\$ 14,592,430	276,637
Decrease in unrealized appreciation			(180,540)
Net realized loss			(12,610)
Interest and dividend income			201,507
Net investment income - 2021			\$ 8,357
			Excess of Market Over Cost
	Cost	Market	Cost
Balances as of June 30, 2020	\$ 14,315,793	\$ 14,592,430	\$276,637
Balances as of June 30, 2019	\$ 14,227,346	\$ 14,290,169	62,823
Increase in unrealized appreciation			213,814
Net realized loss			(16,262)
Interest and dividend income			299,234
Net investment income - 2020			\$496,786

Note 4 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Note 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- *U.S. Government and Government Agency Bonds and Notes*: Valued at the closing price reported on the active market on which the individual securities are traded. These are included in Level 1 of the fair value hierarchy.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the School are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the School are deemed to be actively traded.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 - FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2021 and 2020, assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Fair Value As of June 30, 2021	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Government and Government Agency bonds and notes	\$16,420,877	\$ 16,420,877	\$ -	\$ -
Mutual fund	466,901	466,901	-	-
Totals	<u>\$16,887,778</u>	<u>\$ 16,887,778</u>	<u>\$ -</u>	<u>\$ -</u>

Description	Fair Value As of June 30, 2020	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Government and Government Agency bonds and notes	\$14,229,741	\$ 14,229,741	\$ -	\$ -
Mutual fund	362,689	362,689	-	-
Totals	<u>\$14,592,430</u>	<u>\$ 14,592,430</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2021 and 2020, there were no assets measured at fair value on a non-recurring basis.

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 and 2020 consists of the following:

	2021	2020
Site improvements	\$1,096,324	\$1,096,324
Building improvements	3,129,507	3,099,265
Equipment	1,985,577	1,954,757
	6,211,408	6,150,346
Less accumulated depreciation	(2,707,719)	(2,532,567)
Totals	\$3,503,689	\$3,617,779

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$175,152 and \$174,954, respectively.

Note 6 - LOANS PAYABLE

On April 15, 2020, the School received a \$3,214,000 loan from Hancock Whitney Bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). Interest on the loan is 1%. The loan was forgiven on August 17, 2021 and repaid by the SBA, and the balance was recorded as revenue on the Statement of Activities for the year ended June 30, 2021.

The School entered into a loan agreement with Hancock Whitney Bank on May 20, 2021 to borrow funds for the construction of a new football field. The loan commitment was in the amount of \$4,375,000, bearing interest at a fixed rate of 3%, and funds are advanced to the School as the field construction progresses. The loan matures on November 20, 2026. As of June 30, 2021, construction on the field had not begun and no advances on the loan had been made.

Note 7 - LEASES

On May 28, 2014, the School entered into a lease agreement for six modular buildings to be used as classrooms on the Willow Street Campus. The lease term was for 36 months beginning at delivery with rental payments due each month of \$4,850. During 2017, the lease was extended for 24 months through July 2019 with no change in monthly rental payments. Beginning in August 2019, the lease was converted to a month-to-month basis.

In addition, the School rents sport fields and various equipment during the year as needed.

Rent expense for the years ended June 30, 2021 and 2020 totaled \$82,944 and \$74,464, respectively.

Note 8 - RETIREMENT PLANS

Substantially all employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code (IRC). The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll; the School was required to contribute 25.8% and 26.0% respectively, of the annual covered payroll of each participating employee for the years ended June 30, 2021 and 2020. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the years ended June 30, 2021 and 2020, School contributions to this plan totaled \$2,947,773 and \$2,814,722, respectively.

The School also sponsors a deferred compensation plan pursuant to Section 403(b) of the IRC for the benefit of its employees. Eligible employees may elect to contribute a portion of their salary to the plan, subject to limits established by the Internal Revenue Service. The plan does not permit employer contributions.

Additionally, the School sponsors a deferred compensation plan under IRC section 457(b) for the benefit of one highly compensated employee who is not eligible to participate in the TRSL plan. The School's contributions to the 457(b) plan totaled \$19,500 and \$19,000 for the years ended June 30, 2021 and 2020, respectively.

Note 9 - GRANTS

The details of the most significant grants are as follows:

The United States Department of Education passed through grants to LDOE, which were awarded to the School as a subrecipient, to assist meeting the costs of providing special education and related services to children with disabilities. The grant funds must be used to provide special education and related services to eligible children. For the years ended June 30, 2021 and 2020, the School recognized revenue under these grants of \$249,394 and \$281,304, respectively.

Note 9 - GRANTS (Continued)

The Louisiana Department of Education passed through a grant to the School which provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. For the years ended June 30, 2021 and 2020, the School recognized revenue under this grant of \$203,933 and \$268,769, respectively.

OPSB provides funding for the general use of the School which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the years ended June 30, 2021 and 2020, the School recognized revenue under this grant of \$11,044,934 and \$12,159,243, respectively.

The State of Louisiana provides funding for the general use of the School which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the years ended June 30, 2021 and 2020, the School recognized revenue under this grant of \$6,343,890 and \$5,602,083, respectively.

The State of Louisiana passed through grants to the School which provide aid under the Coronavirus Aid, Relief, and Economic Security Act. The grants were awarded to address the impact that the Coronavirus (COVID-19) has had, and continues to have, on elementary and secondary schools across the Nation. For the year ended June 30, 2021 the School recognized revenue from these grants totaling \$224,876. There were no amounts received during the year ended June 30, 2020.

Note 10 - AVAILABILITY OF FINANCIAL ASSETS

The School is substantially supported by grants and contributions on an unrestricted and restricted basis. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its grantors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, management established a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner.

Note 10 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following reflects the School's financial assets as of June 30, 2021, reduced by amounts not available for general use because of donor-imposed restrictions.

Financial assets:	
Cash and cash equivalents	\$ 3,897,209
Grants receivable	169,563
Investments	<u>16,887,778</u>
Total financial assets as of June 30, 2021	20,954,550
Less amounts unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donors with time or purpose restriction	<u>(365,541)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,589,009</u>

Note 11 - SCHOOL OPERATIONS/LEASEHOLD INTEREST

Effective January 1, 2006, the School entered into an agreement with OPSB, which allows the School to use the facilities and its contents located at 7315 Willow Street, 5624 Freret Street, 719 S. Carrollton Avenue (no longer utilized by the School), or any other locations as may be approved by the School and OPSB. The agreement was scheduled to expire on December 31, 2011. During 2011, this agreement was renewed by OPSB for an additional ten years expiring on June 30, 2021. During 2021, this agreement was renewed by OPSB for an additional ten years expiring on June 30, 2031.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. If capital improvements are made by the School with non-public funds to any site which it operates and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to OPSB at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain at the property of the School.

Note 11 - SCHOOL OPERATIONS/LEASEHOLD INTEREST (Continued)

Use of the property is not recorded as an in-kind contribution from OPSB and related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Note 12 - COMMITMENTS

The School has employment contracts as is standard in the field of education with most of its teachers and which expired June 30, 2021. All contracts provide for a minimum annual salary and other benefits.

On June 11, 2021, the School entered into a contract to improve the Brees Family Field valued at \$3,754,000. As of June 30, 2021, work had not yet begun on the contract.

Note 13 - RISK MANAGEMENT

The School is exposed to various risks of loss from torts, theft and damage to assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims or unsettled claims that exceeded this commercial coverage during the years ended June 30, 2021 and 2020.

Note 14 - CONCENTRATIONS OF RISK

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the years ended June 30, 2021 and 2020, which totaled \$18,165,531 and \$18,452,504, respectively, or 81% and 90% of total revenue for each of the years ended June 30, 2021 and 2020, respectively.

All of the School's students live in the greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School has a written policy for custodial credit risk. As of June 30, 2021, the School's bank balances, including money market funds, were approximately \$4,121,000. Balances insured by the Federal Deposit Insurance Corporation, which covers up to \$250,000 per financial institution, totaled \$250,000 as of June 30, 2021. The remaining deposits of approximately \$3,871,000 were uninsured and collateralized with by pledged securities of \$26,000,000 held by the pledging financial institution's trust department or agent, but not in the School's name.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2021

Agency Head Name: Kathleen Riedlinger, Chief Executive Officer

Purpose

Salary	\$262,200
Benefits - insurance	7,226
Benefits - retirement	-
Benefits - other	28,230
Car allowance	6,000
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
State of LA - Professional Improvement Program (PIP) Compensation	1,529
	<u>\$305,185</u>

¹ With regard to retirement, Ms. Riedlinger is a TRSL retire-rehire. Since she has already retired, she will personally see no benefit from the employer contributions the School makes to TRSL on her behalf.

² 457 Plan and Other Retirement Compensation

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have audited, 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 of America, the financial statements of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (a non-profit organization) (the "School") which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the School's financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 School'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 a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2021.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School New Orleans, Louisiana

For the year ended June 30, 2021

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are
not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

b) Federal Awards

The Lusher Charter School did not receive Federal awards in excess of \$750,000 during the year ended June 30, 2021 and, therefore, is exempt from the audit requirements under the Uniform Guidance.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No internal control over financial reporting findings were reported during the audit for the year ended June 30, 2021.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2021.

Section III - Federal Award Findings and Questioned Costs

Internal Control/Compliance

The Lusher Charter School did not receive Federal awards in excess of \$750,000 during the year ended June 30, 2021 and, therefore, is exempt from the audit requirements under the Uniform Guidance.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2021

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2020 related to internal control over financial reporting material to the basic financial statements.

Compliance and Other Matters

There were no findings material to the financial statements noted during the audit for the year ended June 30, 2020 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

The School did not receive Federal awards in excess of \$750,000 during the year ended June 30, 2020 and, therefore, is exempt from the audit requirements under the Uniform Guidance.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2020.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School New Orleans, Louisiana

For the year ended June 30, 2021

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2021 related to internal control over financial reporting material to the basic financial statements.

Compliance and Other Matters

There were no findings material to the financial statements noted during the audit for the year ended June 30, 2021 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

The School did not receive Federal awards in excess of \$750,000 during the year ended June 30, 2021 and, therefore, is exempt from the audit requirements under the Uniform Guidance.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2021.

SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:524 - PERFORMANCE AND STATISTICAL DATA)
(UNAUDITED)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have performed the procedures enumerated below, which were agreed to by the management of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the "School"), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the School for the year ended June 30, 2021, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE), in compliance with Louisiana Revised Statute 24:514I. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

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

1. We selected a random sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on Schedule 1.
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures

Results: No exceptions were noted.

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 traced a sample of 10 classes to the October 1, 2020 roll books for those classes and observed that the class was properly classified on the schedule.

Results: No exceptions were noted.

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

3. We obtained the October 1, 2020 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 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: Exceptions noted: one individual's education level was incorrectly reported on the October 1, 2020 PEP data submitted to the Department of Education.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained the June 30, 2021 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 listing was complete. We 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: No exceptions where noted.

This agreed-upon procedures engagement was conducted 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 are 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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2021.

**GENERAL FUND INSTRUCTIONAL AND SUPPORT
EXPENDITURES AND CERTAIN LOCAL REVENUE SOURCES**

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2021
(Unaudited)

General Fund Instructional and Equipment Expenditures

Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 6,954,208	
Other Instructional Staff Salaries	356,955	
Instructional Staff Employee Benefits	2,689,368	
Purchased Professional and Technical Services	285,962	
Instructional Materials and Supplies	571,038	
Instructional Equipment	-	

Total Teacher and Student Interaction Activities		\$10,857,531
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Other Instructional Activities		91,514
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Pupil Support Services	1,145,307	
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Less: Equipment for Pupil Support Services	-	
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Net Pupil Support Services		1,145,307
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Instructional Staff Services	721,271	
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Less: Equipment for Instructional Staff Services	-	
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Net Instructional Staff Services		721,271
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School Administration	2,757,388	
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Less: Equipment for School Administration	(175,151)	
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Net School Administration		<u>2,582,237</u>
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Total General Fund Instructional Expenditures		<u>\$15,397,861</u>
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Total General Fund Equipment Expenditures		<u>\$ 175,151</u>
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* Remainder of the BESE Schedule 1 does not apply to the School.

See independent accountant's report on applying Agreed-Upon Procedures.

CLASS SIZE CHARACTERISTICS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

As of October 1, 2020
(Unaudited)

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	-	-	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	31%	199	61%	393	9%	57	0%	-
Combination Activity Classes	22%	57	69%	183	9%	23	0.4%	1

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.

See independent accountant's report on applying Agreed-Upon Procedures.