



Shreveport Charter Foundation, Inc.

FINANCIAL STATEMENTS

June 30, 2023 and 2022



REPORT

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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Shreveport Charter Foundation, Inc.
Shreveport, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shreveport Charter Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shreveport Charter Foundation, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, on July 1, 2022, Shreveport Charter Foundation, Inc. adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 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 Shreveport Charter Foundation, 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 Shreveport Charter Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation Paid to the Board of Trustees and the Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for purposes of additional analysis and are 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 January 15, 2024, on our consideration of Shreveport Charter Foundation, 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 Shreveport Charter Foundation, 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 Shreveport Charter Foundation, Inc.'s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 15, 2024



FINANCIAL STATEMENTS



Shreveport Charter Foundation, Inc.
Statements of Financial Position

| <i>June 30,</i> | 2023 | 2022 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 2,003,085 | \$ 610,622 |
| Grant and other receivables | 165,751 | 167,465 |
| Due from management company | - | 29,628 |
| Due from other school | 15,088 | - |
| Prepaid expenses and other current assets | 70,400 | 58,331 |
| Total current assets | 2,254,324 | 866,046 |
| Property and equipment | | |
| Real estate and buildings held under leases | 28,813,183 | 28,813,183 |
| Furniture, fixtures and equipment held capital leases | 1,810,821 | 1,810,821 |
| Less: accumulated amortization | (11,710,518) | (10,545,212) |
| Furniture, fixtures and equipment | 1,740,378 | 1,547,326 |
| Less: accumulated depreciation | (1,423,100) | (1,212,013) |
| Net property and equipment | 19,230,764 | 20,414,105 |
| Other assets | | |
| Deposits | 50,470 | 35,533 |
| Operating lease right-of-use assets, net | 84,837 | - |
| Total other assets | 135,307 | 35,533 |
| Total assets | \$ 21,620,395 | \$ 21,315,684 |
| Liabilities and Net Assets (Deficit) | | |
| Current liabilities | | |
| Accounts payable | 190,131 | 78,671 |
| Finance leases payable, current | 577,489 | - |
| Capital leases payable, current | - | 497,729 |
| Accrued expenses | 781,371 | 564,013 |
| Due to management company | 799,944 | - |
| Due to other schools | - | 14,474 |
| Current portion of operating lease liabilities | 41,819 | - |
| Total current liabilities | 2,390,754 | 1,154,887 |
| Long-term liabilities | | |
| Interest payable | 1,288,764 | 1,328,057 |
| Finance leases payable, long-term | 27,081,574 | - |
| Capital leases payable, long-term | - | 27,663,115 |
| Operating lease liabilities, less current portion | 43,018 | - |
| Total long-term liabilities | 28,413,356 | 28,991,172 |
| Total liabilities | 30,804,110 | 30,146,059 |
| Net assets (deficit) | | |
| Without donor restrictions | (9,183,715) | (8,830,375) |
| With donor restrictions | - | - |
| Total net assets (deficit) | (9,183,715) | (8,830,375) |
| Total liabilities and net assets (deficit) | \$ 21,620,395 | \$ 21,315,684 |

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

Shreveport Charter Foundation, Inc.
Statement of Activities

| <i>For the year ended June 30, 2023</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Support and revenue | | | |
| Minimum Foundation Program | \$ 15,934,185 | \$ - | \$ 15,934,185 |
| Federal grants | 1,442,412 | - | 1,442,412 |
| Debt forgiveness | 1,788,073 | - | 1,788,073 |
| Other income | 169,350 | - | 169,350 |
| Total support and revenue | 19,334,020 | - | 19,334,020 |
| Expenses | | | |
| Program services | | | |
| Regular education | 9,654,359 | - | 9,654,359 |
| Special education | 2,171,500 | - | 2,171,500 |
| Other education | 61,938 | - | 61,938 |
| Supporting services | | | |
| Management and general | 7,799,563 | - | 7,799,563 |
| Total expenses | 19,687,360 | - | 19,687,360 |
| Change in net assets | (353,340) | - | (353,340) |
| Net assets (deficit), beginning of period | (8,830,375) | - | (8,830,375) |
| Net assets (deficit), end of period | \$ (9,183,715) | \$ - | \$ (9,183,715) |

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

Shreveport Charter Foundation, Inc.
Statement of Activities

| <i>For the year ended June 30, 2022</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Support and revenue | | | |
| Minimum Foundation Program | \$ 12,734,960 | \$ - | \$ 12,734,960 |
| Federal grants | 1,334,148 | - | 1,334,148 |
| Contribution from CSUSA | 338,124 | - | 338,124 |
| Debt forgiveness | 1,736,066 | - | 1,736,066 |
| Other income | 233,156 | - | 233,156 |
| Total support and revenue | 16,376,454 | - | 16,376,454 |
| Expenses | | | |
| Program services | | | |
| Regular education | 8,133,789 | - | 8,133,789 |
| Special education | 1,669,267 | - | 1,669,267 |
| Other education | 159,005 | - | 159,005 |
| Supporting services | | | |
| Management and general | 7,072,237 | - | 7,072,237 |
| Total expenses | 17,034,298 | - | 17,034,298 |
| Change in net assets | (657,844) | - | (657,844) |
| Net assets (deficit), beginning of period | (8,172,532) | - | (8,172,532) |
| Net assets (deficit), end of period | \$ (8,830,375) | \$ - | \$ (8,830,375) |

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

Shreveport Charter Foundation, Inc.
Statement of Functional Expenses

For the Year Ended June 30,

2023

| | Program Services | | | | Supporting Services | Total Expenses |
|----------------------------------|---------------------|---------------------|------------------|------------------------|------------------------|----------------------|
| | Regular Education | Special Education | Other Education | Total Program Services | Management and General | |
| Salaries | \$ 3,953,393 | \$ 1,124,794 | \$ 47,072 | \$ 5,125,259 | \$ 567,030 | \$ 5,692,289 |
| Benefits | 660,659 | 183,474 | 9,767 | 853,900 | 75,040 | 928,940 |
| Professional services | - | - | - | - | 422,198 | 422,198 |
| Contracted and vendor services | 753,506 | 129,050 | - | 882,556 | 2,615,527 | 3,498,083 |
| Professional development | 69,167 | 11,846 | - | 81,013 | - | 81,013 |
| Supplies and materials | 450,047 | 77,078 | - | 527,125 | 3,222 | 530,347 |
| Utilities | 381,212 | 65,289 | - | 446,501 | 23,385 | 469,886 |
| Repairs and maintenance | 919,914 | 157,550 | - | 1,077,464 | 131,520 | 1,208,984 |
| Insurance | 148,881 | 25,498 | - | 174,379 | 9,133 | 183,512 |
| Rent | 47,615 | 8,155 | - | 55,770 | 2,921 | 58,691 |
| Interest | - | - | - | - | 2,942,190 | 2,942,190 |
| Depreciation and amortization | 1,116,649 | 191,243 | - | 1,307,892 | 68,500 | 1,376,392 |
| School board fees | 271,692 | 46,532 | - | 318,224 | - | 318,224 |
| Travel | 82,203 | 14,078 | - | 96,281 | 27,953 | 124,234 |
| Marketing and recruitment | 1,274 | 218 | - | 1,492 | 124,329 | 125,821 |
| Food service | 637,131 | 109,119 | 5,099 | 751,349 | - | 751,349 |
| Technology | 123,359 | 21,127 | - | 144,486 | 41,947 | 186,433 |
| Office expense | 1,572 | 269 | - | 1,841 | 11 | 1,852 |
| Student services | 36,085 | 6,180 | - | 42,265 | - | 42,265 |
| Other | - | - | - | - | 744,657 | 744,657 |
| Total Functional Expenses | \$ 9,654,359 | \$ 2,171,500 | \$ 61,938 | \$ 11,887,797 | \$ 7,799,563 | \$ 19,687,360 |

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

Shreveport Charter Foundation, Inc.
Statement of Functional Expenses

For the Year Ended June 30,

2022

| | Program Services | | | | Supporting Services | Total Expenses |
|----------------------------------|---------------------|---------------------|-------------------|------------------------|------------------------|----------------------|
| | Regular Education | Special Education | Other Education | Total Program Services | Management and General | |
| Salaries | \$ 3,737,660 | \$ 942,881 | \$ 53,114 | \$ 4,733,655 | \$ 405,844 | \$ 5,139,499 |
| Benefits | 570,580 | 114,999 | 7,851 | 693,430 | 166,432 | 859,862 |
| Professional services | 6,869 | 1,098 | - | 7,967 | 368,048 | 376,015 |
| Contracted and vendor services | 46,141 | 7,372 | - | 53,513 | 2,021,184 | 2,074,697 |
| Professional development | 79,762 | 12,745 | - | 92,507 | 93 | 92,600 |
| Supplies and materials | 412,240 | 66,002 | - | 478,242 | 6,062 | 484,304 |
| Utilities | 441,608 | 70,561 | - | 512,169 | 26,737 | 538,906 |
| Repairs and maintenance | 720,968 | 115,198 | - | 836,166 | 43,878 | 880,044 |
| Insurance | 129,460 | 20,685 | - | 150,145 | 7,864 | 158,009 |
| Rent | 38,390 | 6,134 | - | 44,524 | 2,332 | 46,856 |
| Interest | - | - | - | - | 2,990,577 | 2,990,577 |
| Depreciation and amortization | 1,140,507 | 182,233 | - | 1,322,740 | 69,278 | 1,392,018 |
| School board fees | 220,160 | 35,178 | - | 255,338 | - | 255,338 |
| Travel | 51,790 | 8,275 | - | 60,065 | 17,438 | 77,503 |
| Marketing and recruitment | 1,693 | 270 | - | 1,963 | 151,480 | 153,443 |
| Food service | 431,582 | 68,959 | 98,040 | 598,581 | - | 598,581 |
| Technology | 68,151 | 10,889 | - | 79,040 | 22,947 | 101,987 |
| Office expense | 21,706 | 3,468 | - | 25,174 | 26,330 | 51,504 |
| Student services | 14,522 | 2,320 | - | 16,842 | - | 16,842 |
| Other | - | - | - | - | 745,713 | 745,713 |
| Total Functional Expenses | \$ 8,133,789 | \$ 1,669,267 | \$ 159,005 | \$ 9,962,061 | \$ 7,072,237 | \$ 17,034,298 |

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

Shreveport Charter Foundation, Inc.
Statements of Cash Flows

| <i>For the years ended June 30,</i> | 2023 | 2022 |
|--|---------------------|--------------|
| Operating Activities | | |
| Change in net assets | \$ (353,340) | \$ (657,843) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,376,392 | 1,392,018 |
| Amortization of right-of-use assets | 40,990 | - |
| (Increase) decrease in | | |
| Grant and other receivables | 1,714 | 70,704 |
| Due from management company | 29,628 | (29,628) |
| Due from other school | (15,088) | - |
| Prepaid expenses and other current assets | (12,069) | (7,303) |
| Deposits | (14,937) | 800 |
| Increase (decrease) in | | |
| Accounts payable | 111,460 | (9,582) |
| Accrued expenses | 217,358 | (191,508) |
| Due to management company | 799,944 | (192,848) |
| Due to other schools | (14,474) | 14,474 |
| Interest payable | (39,293) | (13,238) |
| Operating lease liabilities | (40,990) | - |
| Net cash provided by (used in) operating activities | 2,087,295 | 376,046 |
| Investing Activities | | |
| Purchase of property and equipment | (193,052) | (96,345) |
| Net cash provided by (used in) investing activities | (193,052) | (96,345) |
| Financing Activities | | |
| Payments on finance leases | (501,780) | - |
| Payments on capital leases | - | (431,506) |
| Net cash provided by (used in) financing activities | (501,780) | (431,506) |
| Net increase (decrease) in cash | 1,392,463 | (151,805) |
| Cash - beginning of period | 610,622 | 762,427 |
| Cash - end of period | \$ 2,003,085 | \$ 610,622 |
| Schedule of Noncash Transactions | | |
| Lease liabilities arising from obtaining right-of-use assets | | |
| Operating leases | \$ 125,786 | \$ - |
| Schedule of Certain Cash Flow Information | | |
| Cash paid during the year for interest | \$ 2,942,190 | \$ 2,990,577 |

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

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Shreveport Charter Foundation, Inc. (the Foundation), a Louisiana nonprofit corporation, was formed on February 27, 2012, exclusively for educational purposes. The Foundation has entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the Magnolia School of Excellence (the Charter School) for students in Caddo Parish, Louisiana. The lower campus includes grades kindergarten through fifth grade. The upper campus includes grades six through twelve. The original charter agreement with CPSB dated February 5, 2013 was for an initial term of five years. The charter agreement has been renewed for an additional three years in 2018. The second renewal of the charter contract was approved by the Caddo Parish School Board in 2021 for another three years.

The Foundation is an independent nonprofit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the Foundation is a component unit of CPSB and the Foundation's financial statements are included in the CPSB's basic financial statements as a component unit. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Foundation is included in the reporting entity because it is fiscally dependent on the CPSB for the majority of its revenue, and because exclusion would render the CPSB's financial statements incomplete or misleading.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash consists of demand deposit balances and represents cash available for general operating purposes. The Foundation classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Foundation did not have any cash equivalents at June 30, 2023 and 2022.

Grant and Other Receivable

Grant and other receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The Foundation received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year.

Property and Equipment

Acquisitions of property and equipment and betterments of \$750 or more that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the Foundation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation are as follows:

| | |
|-----------------------------------|---------------|
| Buildings | 20 – 30 Years |
| Leasehold improvements | 5 – 15 Years |
| Furniture, fixtures and equipment | 3 – 10 Years |

Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time the Charter agreement is terminated.

Depreciation expense, which includes amortization expense of capital lease assets, incurred for the years ended June 30, 2023 and 2022, was \$1,376,392 and \$1,392,018 respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Foundation leases the school buildings and substantially all of the furniture, fixtures and equipment utilized by the Charter School under leases as described in Note 6. The Foundation determines if an arrangement is a lease at inception. Operating leases as of June 30, 2023 are included in operating lease right-of-use (ROU) assets and operating lease liabilities the statement of financial position. Finance leases as of June 30, 2023 are included in property and equipment and finance leases payable in the statement of financial of financial position. Capital leases as of June 30, 2022 are included in property and equipment and capital leases payable in the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the operating leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at commencement date in determining the present value of operating lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The assets and liabilities under finance and capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of the related lease terms or the estimated productive lives. Amortization (or depreciation) of assets under finance and capital leases is included in depreciation and amortization expense.

The Foundation's lease agreements do not contain any material residual value guarantees.

Compensated Absences

Employees may accrue between 8 and 26 days per year of paid time off depending on length of service and classification. A maximum of 5 days (40 hours) of paid time off can be carried over from year to year. Earned but unused paid time off is eligible for payment upon separation from service up to a maximum of 40 hours. The liability for compensated absences includes salary-related benefits, where applicable.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

A significant portion of the Foundation's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, 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 or the donor has explicitly removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

The Foundation's primary source of funding is through the Minimum Foundation Program (MFP), passed through from CPSB and funded by the State Public School Fund. CPSB withholds 2% of the gross funding for the fiscal year.

Donated Assets

Noncash donations are recorded as contributions at their fair values at the date of donation.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The majority of expenses reported in the financial statements can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function, including depreciation and amortization, leadership salaries and the technology department, have been allocated among program and supporting services classifications based on estimates of time and effort and square footage.

Advertising Costs

The Foundation uses advertising to promote the schools among the population it serves. Advertising costs are charged to expense when incurred. Advertising, which is included in marketing and recruitment on the Statements of Functional Expenses, for the years ended June 30, 2023 and 2022 was approximately \$124,799 and \$151,377, respectively.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Louisiana state income taxes. However income, if any, from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income.

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2023 and 2022, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 15, 2024, and determined there were no subsequent events that occurred that required disclosure.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022, a lease liability of \$125,826, which represents the present value of the remaining operating lease payments of \$131,081, discounted using a risk free rate of 2.83%, and a right-of-use asset of \$125,826. No adjustment net assets was required.

The standard had a material impact on the Foundation's statement of financial position, but did not have a material impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

The accompanying financial statements and disclosures as of and for the year ended June 30, 2022, are in accordance with the previous guidance in FASB ASC 840, *Leases*.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

As part of the Foundation’s liquidity management, it maintains its funds in cash operating accounts in order to meet the needs of general expenditures, liabilities or other obligations as they come due. Revenue from the Minimum Foundation Program and sources other than federal grants and internal funds is not restricted for specific purposes and is available for general expenditure. The financial assets available to meet cash needs for general expenditures within one year of the financial position date are as follows:

| <u>June 30,</u> | 2023 | 2022 |
|--|---------------------|-------------------|
| Cash | \$ 2,003,085 | \$ 610,622 |
| Grant and other receivables | 165,751 | 167,465 |
| Total financial assets available to meet general expenditures within one year | \$ 2,168,836 | \$ 807,715 |

Note 4: GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2023 and 2022, grant and other receivables totaled \$165,751 and \$167,465, respectively, and are considered fully collectible.

Note 5: ACCRUED EXPENSES

Following is a summary of accrued expenses:

| <u>June 30,</u> | 2023 | 2022 |
|------------------------|-------------------|-------------------|
| Payroll and benefits | \$ 558,785 | \$ 536,112 |
| Other | 222,586 | 27,901 |
| Total accrued expenses | \$ 781,371 | \$ 564,013 |

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES

Finance Leases in Accordance with FASB ASC 842

The Foundation had the following finance leases payable at June 30, 2023:

| <i>June 30,</i> | 2023 |
|--|----------------------|
| Finance lease payable to Red Apple at Magnolia, LLC for real property in the original amount of \$12,278,567, with a commencement date of July 22, 2013, with an effective interest rate of 10.147%, payable in monthly payments ranging from \$65,386 to \$148,788, including interest, maturing on June 30, 2033. | \$ 10,346,859 |
| Finance lease payable to Red Apple at Magnolia Upper, LLC for real property in the original amount of \$16,534,616, with a commencement date of August 1, 2016, with an effective interest rate of 10.094%, payable in monthly payments ranging from \$32,635 to \$188,589, including interest, maturing on July 31, 2046. | 16,501,981 |
| Finance lease payable to Red Apple at Magnolia Upper, LLC for equipment in the amount of \$1,030,000, dated August 1, 2016, with an effective interest rate of 8.78%, payable in monthly payments ranging from \$8,808 to \$8,993, including interest, maturing July 31, 2036. | 810,223 |
| Total finance leases payable | 27,659,063 |
| Less current maturities | (577,489) |
| Long-term finance leases payable | \$ 27,081,574 |

Right-of-use assets held under finance leases are included in net property and equipment on the statement of financial position. Following is a summary of assets held under finance leases:

| <i>June 30,</i> | 2023 |
|--|----------------------|
| Real estate and buildings | \$ 28,813,183 |
| Furniture, fixtures and equipment | 1,810,821 |
| Right-of-use assets under finance leases | 30,624,004 |
| Less: accumulated amortization | (11,710,518) |
| Right-of-use assets under finance leases, net | \$ 18,913,486 |

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Finance Leases in Accordance with FASB ASC 842 (continued)

Scheduled annual lease payments under non-cancellable finance leases as of June 30, 2023, are as follows:

| | |
|-----------------------------------|----------------------|
| 2024 | \$ 3,526,565 |
| 2025 | 3,569,873 |
| 2026 | 3,618,040 |
| 2027 | 3,661,992 |
| 2028 | 3,710,368 |
| Thereafter | 47,515,579 |
| Total minimum lease payments | 65,602,417 |
| Less interest | (37,943,354) |
| Net minimum lease payments | \$ 27,659,063 |

As of June 30, 2023, scheduled maturities of long-term debt for the next five years ending June 30, are as follows:

| | |
|--------------|----------------------|
| 2024 | \$ 577,489 |
| 2025 | 661,224 |
| 2026 | 754,006 |
| 2027 | 856,784 |
| 2028 | 972,641 |
| Thereafter | 23,836,919 |
| Total | \$ 27,659,063 |

The components of finance lease expense for the year ended June 30, 2023 consist of the following:

| | |
|---------------------------------------|---------------------|
| Amortization of right-of-use assets | \$ 501,740 |
| Interest on finance lease liabilities | 2,942,190 |
| Total finance lease expense | \$ 3,443,930 |

The Foundation's finance leases with Red Apple at Magnolia, LLC and Magnolia Upper, LLC dated November 21, 2013 and August 1, 2016 include restrictive covenants that require compliance with all laws and regulations as well as specific insurance requirements. The lease with Magnolia Upper, LLC, include covenants that require the Foundation to have an annual rent coverage ratio of at least 1.15 to 1.00 each quarter and unrestricted immediately available funds on hand each June 30 in an amount at least equal to the Days Cash on Hand Requirement for the applicable period.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Finance Leases in Accordance with FASB ASC 842 (continued)

The Foundation is required to calculate the annual rent coverage ratio quarterly based on a rolling twelve month period. Annual rent coverage ratio is determined by dividing income available for annual rent by maximum annual rent. Income available for annual rent is the excess of charter revenues over operating expenses as determined from audited financial statements provided that gains and losses on investments will not be recognized in the calculation of income available for annual rent. Maximum annual rent means the highest rent due under the lease for any current or succeeding fiscal year or other specified period.

At June 30, 2023, the Foundation did not meet the annual rent coverage ratio covenant. Under the terms of the lease, the failure to meet the annual rent coverage ratio may be considered an event of default. The investors waived the breach of the annual rent coverage ratio covenant for the fiscal year ended June 30, 2023. The calculation as of June 30, 2023 is included below.

Annual Rent Coverage Ratio Covenant
As of June 30, 2023

| | | |
|-----------------------------------|--|---------------|
| Charter revenues | | \$ 19,334,020 |
| Less: Management fees forgiven | | (1,788,073) |
| Less: Internal Funds Revenue | | (114,872) |
| Operating Expenses | | (17,899,287) |
| Add: Internal Funds Expense | | 106,307 |
| Change in Unrestricted Net Assets | | (361,905) |
| Plus: | | |
| Interest | | 2,942,190 |
| Depreciation and Amortization | | 1,376,392 |
| Income Available for Annual Rent | | \$ 3,956,677 |
| Maximum Annual Rent | | \$ 3,661,989 |
| Annual Rent Coverage Ratio | | 1.08 |
| Required Rent Coverage Ratio | | 1.15 |

The Days Cash on Hand Requirement for the calculation date of June 30, 2023, is an amount equal to at least fifty-five (55) days of Average Daily Expenses. Average Daily Expenses include operating expenses, long term debt service requirements, and payments of base rent under the lease and exclude depreciation and other non-cash items and deferred management fees for the twelve month period.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Finance Leases in Accordance with FASB ASC 842 (continued)

At June 30, 2023, the Foundation did not meet the Days Cash on Hand Requirement. Under the terms of the capital lease, the failure to maintain unrestricted immediately available funds in an amount equal to at least fifty-five (55) days of average daily expenses may constitute and event of default. The investors waived the breach of the liquidity covenant for the fiscal year ended June 30, 2023. The calculation as of June 30, 2023 is included below.

Liquidity Covenant - Computation of Days Cash on Hand
As of June 30, 2023

| | |
|--|---------------|
| Annual Total Expenses | \$ 19,687,360 |
| Less: Management fees forgiven | (1,788,073) |
| Less: Internal Funds Expense | (106,307) |
| Less: Depreciation | (1,376,392) |
| Add: Principal Payments | - |
| Adjusted Annual Total Expenses | 16,416,588 |
| Average Daily Expenses (based on 360 day year) | 45,602 |
| Days of Cash Required | 55 |
| Daily Cash Required | 2,508,110 |
| Cash Available as of June 30, 2022 | 2,003,085 |
| Less: Internal Fund Cash | (93,701) |
| Adjusted Cash Available as of June 30, 2023 | \$ 1,909,384 |
| Days of Cash on Hand | 42 |

Property with a net book value of \$18,626,101 as of June 30, 2023 held under capital leases with Red Apple at Magnolia, LLC and Red Apple at Magnolia Upper, LLC has been pledged as security on Red Apple at Magnolia Upper, LLC (Landlord) financing.

Operating Leases in Accordance with FASB ASC 842

The Foundation has an operating lease for office equipment. The lease has a remaining lease term of 2 years. As of June 30, 2023, assets recorded under operating leases was \$84,837.

The components of operating lease expense consist of the following:

| <i>For the year ended June 30,</i> | 2023 |
|------------------------------------|-------------|
| Operating lease cost | \$ 49,541 |
| Short-term lease cost | \$ 9,150 |

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Operating Leases in Accordance with FASB ASC 842 (continued)

As of June 30, 2023, scheduled annual lease payments under non-cancellable operating leases for the years ending June 30, are as follows:

| | | |
|--|----|---------|
| 2024 | \$ | 43,680 |
| 2025 | | 43,680 |
| <hr/> | | |
| Total future minimum lease payments | | 87,360 |
| Less imputed interest | | (2,523) |
| <hr/> | | |
| Present value of operating lease liabilities | \$ | 84,837 |
| <hr/> <hr/> | | |

Reported as of June 30, 2023:

| | | |
|---|----|--------|
| Current portion of operating lease liabilities | \$ | 41,819 |
| Operating lease liabilities, less current portion | | 43,018 |
| <hr/> | | |
| Total | \$ | 84,837 |
| <hr/> <hr/> | | |

Other Lease Disclosures Required in Accordance with FASB ASC 842

Weighted average remaining lease term and discount rates consist of the following at June 30, 2023:

| | | |
|---------------------------------------|--|-------------|
| Weighted average remaining lease term | | |
| Operating leases | | 2.00 years |
| Finance leases | | 17.90 years |
| | | |
| Weighted average discount rate | | |
| Operating leases | | 2.83% |
| Finance leases | | 10.08% |

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Capital Leases in Accordance with FASB ASC 840

The Foundation had the following capital leases payable at June 30, 2022:

| <i>June 30,</i> | <i>2022</i> |
|--|---------------|
| Capital lease payable to Red Apple at Magnolia, LLC for real property in the original amount of \$12,278,567, with a commencement date of July 22, 2013, with an effective interest rate of 10.147%, payable in monthly payments ranging from \$65,386 to \$148,788, including interest, maturing on June 30, 2033. | \$ 10,809,599 |
| Capital lease payable to Red Apple at Magnolia Upper, LLC for real property in the original amount of \$16,534,616, with a commencement date of August 1, 2016, with an effective interest rate of 10.094%, payable in monthly payments ranging from \$32,635 to \$188,589, including interest, maturing on July 31, 2046. | 16,501,981 |
| Capital lease payable to Red Apple at Magnolia Upper, LLC for equipment in the amount of \$1,030,000, dated August 1, 2016, with an effective interest rate of 8.78%, payable in monthly payments ranging from \$8,808 to \$8,993, including interest, maturing July 31, 2036. | 849,264 |
| Total capital leases payable | 28,160,844 |
| Less current maturities | (497,729) |
| Long-term capital leases payable | \$ 27,663,115 |

Property and equipment held under capital leases are included in net property and equipment on the statement of financial position. Following is a summary of assets held under capital leases:

| <i>June 30,</i> | <i>2022</i> |
|---|---------------|
| Real estate and buildings | \$ 28,813,183 |
| Furniture, fixtures and equipment | 1,810,821 |
| Property held under capital leases | 30,624,004 |
| Less: accumulated amortization | (10,545,212) |
| Property held under capital leases, net | \$ 20,078,792 |

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

Note 6: LEASES (Continued)

Capital Leases in Accordance with FASB ASC 840 (continued)

Scheduled annual lease payments under non-cancellable capital leases as of June 30, 2022, are as follows:

| | |
|-----------------------------------|----------------------|
| 2023 | \$ 3,483,084 |
| 2024 | 3,526,565 |
| 2025 | 3,569,873 |
| 2026 | 3,618,040 |
| 2027 | 3,662,172 |
| Thereafter | 51,225,947 |
| Total minimum lease payments | 69,085,681 |
| Less interest | (40,924,837) |
| Net minimum lease payments | \$ 28,160,844 |

As of June 30, 2022, scheduled maturities of long-term debt for the next five years ending June 30, are as follows:

| | |
|--------------|----------------------|
| 2023 | \$ 501,740 |
| 2024 | 577,489 |
| 2025 | 661,224 |
| 2026 | 754,006 |
| 2027 | 856,784 |
| Thereafter | 24,809,601 |
| Total | \$ 28,160,844 |

Interest expense was \$2,990,577 during the year ended June 30, 2022.

Operating Leases in Accordance with FASB ASC 840

The Foundation leases office equipment under non-cancellable operating leases through June 30, 2025. Rent expense for the year ended June 30, 2022 was \$46,856.

As of June 30, 2022, scheduled annual lease payments under non-cancellable operating leases for the years ending June 30, are as follows:

| | |
|--------------|-------------------|
| 2023 | \$ 43,721 |
| 2024 | 43,680 |
| 2025 | 43,680 |
| Total | \$ 131,081 |

Note 8: NET ASSETS (DEFICIT)

The Foundation had a decrease in net assets of approximately \$353 thousand for the year ended June 30, 2023, as well as a deficit of approximately \$9.2 million. The main driver of the overall deficit of the Foundation is the accumulated depreciation of the two facilities recorded as assets held under finance leases in the financial statements, which totals approximately \$11.7 million. The Foundation has the support of Charter Schools USA as their management company. A portion of management fees for the current fiscal year totaling approximately \$1.8 million were waived by the management company. This support will continue until the Foundation is operating independently and is financially stable.

Note 9: RISK MANAGEMENT AND LITIGATION

The Foundation is exposed to various risks of loss from torts; thefts of, damage to, and destruction of 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. In the opinion of management, insurance coverage is adequate to cover any material anticipated losses.

There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2023 and 2022.

Note 10: CONCENTRATIONS AND CREDIT RISK

The Foundation received approximately 82% and 86% of its total revenues from the State of Louisiana, through its charter school contract with CPSB for the years ended June 30, 2023 and 2022 respectively.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. At June 30, 2023 and 2022, the Foundation had approximately \$1,779,006 and \$362,900, respectfully, in uninsured deposits. Management believes the risk associated with these excess deposits is minimal.

Note 11: COMMITMENTS

Management agreement

The Foundation entered into a management agreement on February 5, 2013, with Charter Schools USA at Shreveport, LLC (CSUSA), a Florida limited liability company, to develop, manage, staff and operate the Charter School. The term of the agreement was for an initial five year term consistent with the term of the charter contract with CPSB. The agreement was renewed for two additional three year terms consistent with the term of the charter contract renewal. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees for its services. The cost reimbursements and management fees are not to exceed 15% of revenues which shall be set forth within the approved annual budget or any amendments thereto.

Note 11: COMMITMENTS (Continued)

For the years ended June 30, 2023 and 2022, cost reimbursements and management fee expense was \$2,556,408 and \$2,064,665, respectively. Fees totaling \$1,788,073 and \$1,736,066 were forgiven for fiscal years ended June 30, 2023 and 2022, reducing the amount of compensation payable to CSUSA to \$768,335 and \$328,599, respectively.

During the years ended June 30, 2023 and 2022, CSUSA made a cash contribution in the amount of \$0 and \$338,124, respectively, to the Foundation for general support activities.

At June 30, 2023 and 2022, the Foundation owed CSUSA \$799,944 and \$827,879, respectively, related to operation and trade payables. These amounts have been netted against amounts owed to the Foundation from CSUSA of \$0 and \$857,507 at June 30, 2023 and 2022, respectively. The net amounts of \$799,944 and \$29,628 are reflected in the statements of financial position at June 30, 2023 and 2022, respectively, as due from/to the management company.

Note 12: EMPLOYEE BENEFIT PLAN

The Foundation offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). Employees are allowed to contribute up to 100% of their salary, subject to certain limitations. Charter Schools USA will match 25% up to the first 6% that the employee elects. For the years ended June 30, 2023 and 2022, the Foundation's contributions to the plan totaled \$20,475 and \$19,445, respectively.

Note 13: CONTINGENCIES

The Foundation, as charter operator, is subject to Annual Academic Audits by Caddo Parish School Board. Failure to follow through with the recommendations and directives of the yearly audit will be grounds for terminations and/or non-renewal of the charter contract.

Note 14: RELATED PARTIES

During 2023, the Foundation incurred expenses of \$246,210 for learning pods from a company owned by the director of CSUSA. The Foundation measured the services received at the cost recognized for the personnel providing those services.

Note 15: SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred after June 30, 2023 through January 15, 2024, the date the Foundation's financial statements were available to be issued.

As discussed in Note 6 the Foundation is required to have an annual rent coverage ratio of at least 1.15 to 1.00 each quarter. For the quarter ended September 30, 2023, the annual rent coverage ratio was not met. A waiver was received from the Trustee.



SUPPLEMENTARY INFORMATION



Shreveport Charter Foundation, Inc.
Schedule of Compensation Paid to the Board of Trustees
For the year ended June 30, 2023

There was no compensation paid to members of the Board of Trustees for the year ended June 30, 2023.

Shreveport Charter Foundation, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2023

Agency Head Name: Dr. Melva Turner-Williams, President of the Board of Directors

| Purpose | Amount |
|----------------|---------------|
| Reimbursements | \$ - |

There were no payments to the agency head for the year ended June 30, 2023.



REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS





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

To the Board of Trustees
Shreveport Charter Foundation, Inc.
Shreveport, 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 Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shreveport Charter Foundation, 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 Shreveport Charter Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Shreveport Charter Foundation, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-003 that we consider to be significant deficiencies.

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

During our audit, we also became aware of a deficiency in internal control, other than significant deficiencies or material weaknesses, which is described in the accompanying schedule of findings and questioned costs as item 2023-002.

Report on Compliance and Other Matters

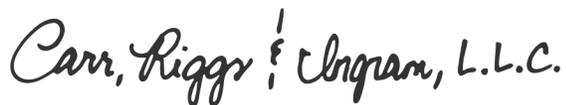
As part of obtaining reasonable assurance about whether Shreveport Charter Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-004.

Shreveport Charter Foundation, Inc.'s Response to Findings

Government Auditing Standards requires the auditors to perform limited procedures on Shreveport Charter Foundation, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Shreveport Charter Foundation, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.



CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 15, 2024

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

| | |
|--|------------|
| 1. Type of Auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

Not applicable in the current year

Section II – Financial Statement Findings

Current Year Findings and Responses

Reference # and title: 2023-001 Accounts Payable Reconciliation (Significant Deficiency)

Year of Origination – June 30, 2023

Criteria or Specific Requirement – An accounts payable reconciliation that reconciles vendor payables should be prepared and not include intercompany accounts.

Condition – The accounts payable account for the lower school was not correctly reconciled at year end.

Cause – The intercompany accounts were not adjusted by the client when reconciling accounts payable.

Effect – Accounts payable is not correct at year end.

Recommendation – We recommend that the client make adjustments for intercompany accounts payable prior to reconciling the balance to the AP Aging.

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Reference # and title: 2023-002 Authorized Check Signers on Internal and Principal Bank Accounts (Deficiency)

Year of Origination – June 30, 2023

Criteria or Specific Requirement – Check signers should be of sufficient stature within the Foundation and should check the documentation that accompanies the check for signature.

Condition – Authorized signers on the Shreveport Charter Foundation, Inc. Chase Internal Funds and Principal accounts are not updated to remove previous key personnel, principals and assistant principals.

Cause – The Foundation does not have policies and procedures in place to ensure bank signature cards are updated with turnover of key personnel

Effect – An unauthorized signer on a checking account has access to the Foundation’s funds causing a financial risk and increases the potential for fraud.

Recommendation – We recommend that the Foundation implement policies and procedures to ensure bank signature cards are updated to reflect key personnel still employed with the schools.

Reference # and title: 2023-003 Federal Grant Reimbursements reported in Incorrect Period (Significant Deficiency)

Year of Origination – June 30, 2023

Criteria or Specific Requirement – Receivables related to reimbursement requests should be recorded and monitored to ensure they are funded timely and in the proper amount.

Condition – Receivables related to reimbursement requests should be recorded and monitored to ensure they are funded timely and in the proper amount.

Cause – The policies and procedures in place to monitor reimbursement requests to ensure they are properly funded in a timely manner was not operating effectively. There was lack of communication between the schools and the accounting department related to the reimbursement requests to facilitate proper recording and tracking.

Effect – The Foundation may not be aware that reimbursement requests are not funded and will not be able to follow up with the pass through agency to ensure any issues are resolved. As a result the Foundation is not utilizing grant funds which have been awarded to the entity.

Recommendation – We recommend that the School Operations Administrator provide a copy of the reimbursement request and all supporting schedules and documentation to the Accountant when the request is submitted. At that time, a receivable for the amount of the request should be recorded. The receivable should be monitored to ensure the request is funded timely and in the proper amount. When the request is funded, the Accountant should contact the Administrator to inform them that the payment has been received. If the request is not funded within a reasonable period of time, the

**Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Accountant should inform the Administrator so that they can follow up and resolve any issues to ensure the request is funded.

Reference # and title: 2023-004 Late Submission of Audit Report to Legislative Auditor (Noncompliance)

Year of Origination – June 30, 2021

Criteria or Specific Requirement: Louisiana Revised Statute 24:513 A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Foundation's audit report should be submitted to the Louisiana Legislative Auditor by December 31 each year.

Condition: The Foundation's audit report for the fiscal year ending June 30, 2023, was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i). The Foundation requested an extension from the Legislative Auditor which was granted.

Cause: Various factors contributed to delays in obtaining the information necessary to complete the audit procedures.

Effect: The auditor was unable to submit the Foundation's report within the six month deadline as required by R.S. 24:513 A (5)(a)(i).

Recommendation: We recommend the Foundation implement appropriate accounting policies and close procedures ensure timelines for filing are met.

Section III – Prior Year Financial Statement Findings

Reference # and title: 2022-001 Bank Reconciliation (Significant Deficiency)

Year of Origination – June 30, 2022

Condition – Two June 30, 2022 JPMorgan Chase bank reconciliations prepared and reviewed by the management company contained errors/omissions and did not reconcile to general ledger.

Recommendation – We recommend that all bank accounts be reconciled completely each month prior to the preparation of the monthly financial statements. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by an appropriate level of management. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Status – Resolved

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Reference # and title: 2022-002 Background Checks (Noncompliance)

Year of Origination – June 30, 2017

Condition – Evidence of background check being performed was not provided for four teachers of the twenty-five teachers selected for testing. One teacher was hired with a criminal history that would make them ineligible for hire.

Recommendation – We recommend that the Foundation implement policies and procedures to ensure background checks are performed for all instructional staff prior to offer of employment and that evidence of the background checks be maintained on file.

Status – Resolved

Reference # and title: 2022-003 BOD Financial Disclosure (Noncompliance)

Year of Origination – June 30, 2022

Condition – Two board members did not complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for 2021.

Recommendation – We recommend that the Foundation implement a schedule which includes the deadline for submission of the financial disclosure and ensure all board members have completed the form timely and the form is submitted to the Louisiana Board of Ethics by the required deadline. We also recommend that the Foundation maintain a copy of each disclosure statement.

Status – Resolved

Reference # and title: 2022-004 Late Submission of Audit Report to Legislative Auditor (Noncompliance)

Year of Origination – June 30, 2021

Condition – The Foundation’s audit report for the fiscal year ending June 30, 2022, was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i). The Foundation requested an extension from the Legislative Auditor which was granted.

Recommendation – We recommend the Foundation implement appropriate accounting policies and close procedures ensure timelines for filing are met.

Status – See current year finding 2023-004

Shreveport Charter Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section III – Federal Award Findings and Responses

A. Current Year Findings and Responses

Not applicable in the current year

B. Prior Year Findings and Responses

Not applicable in the previous year



Shreveport Charter Foundation, Inc.

STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2023



Carr, Riggs & Ingram, LLC
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Shreveport, LA 71105

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Shreveport Charter Foundation, 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 fiscal period July 1, 2022 through June 30, 2023. Shreveport Charter Foundation, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Shreveport Charter Foundation, Inc. (the Organization) 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 fiscal period July 1, 2022 through June 30, 2023. 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe 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.

Results: No exceptions were identified as a result of applying the procedure.

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.

Results: The Organization's written policies and procedures do not address the documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving.

Results: No exceptions were identified as a result of applying the procedure.

- 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).

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: The Organization's written policies and procedures do not address the 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.

Results: No exceptions were identified as a result of applying the procedure.

- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were identified as a result of applying the procedure.

- 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).

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: The Organization's written policies and procedures do not address the requirement that documentation is maintained to demonstrate all employees and officials were notified of any changes to the Organization's ethics policy.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: This procedure is not applicable as Shreveport Charter Foundation, Inc. is not a governmental entity.

- 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.

Results: The Organization's written policies and procedures do not address the use of antivirus software on all systems or the timely application of all available system and software patches/updates.

- 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: This procedure is not applicable as Shreveport Charter Foundation, Inc. is not a governmental entity.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document

Results: Two of the meetings held during the fiscal period did not have a quorum.

- 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, at a minimum, on proprietary funds, and semi-annual budget-to-actual, 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.

Results: No exceptions were identified for the meetings that were held with a quorum.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: This procedure is not applicable as Shreveport Charter Foundation, Inc. is not a governmental entity.

- 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: Written updates of the progress of resolving audit findings were not provided at the Organization's meetings.

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);

Results: CRI identified one exception where the reconciliation was not prepared within two months of the statement closing date. Shreveport Charter Foundation, Inc.'s policy is to reconcile bank accounts with no activity other than interest and fees on a semi-annual basis, and the reconciliation was performed in accordance with this policy.

- 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 (e.g., initialed and dated, electronically logged); and

Results: No exceptions were identified as a result of applying the procedure.

- 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: No exceptions were identified as a result of applying the procedure.

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).

Results: CRI obtained a list of deposit sites and management's representation that the listing was complete.

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;

Results: No exceptions were identified as a result of applying the procedure.

- 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;

Results: No exceptions were identified as a result of applying the procedure.

- c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

Results: No exceptions were identified as a result of applying the procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were identified as a result of applying the procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were identified as a result of applying the procedure.

- 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).

Results: Two exceptions were identified where the deposit was not made within one business day of receipt at the collection location. The Organization's policies state that deposits must be made when collections exceed \$500. The Organization's policies encourage daily deposits, and require deposit be made at least weekly.

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

Results: No exceptions were identified as a result of applying the procedure.

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).

Results: CRI obtained listing of locations that process payments and management's representation that the listing was complete.

- 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 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;

Results: No exceptions were identified as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors;

Results: No exceptions were identified as a result of applying the procedure.

- 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;

Results: CRI identified exceptions at two of the three payment processing locations where the employee responsible for processing payments is not prohibited from adding/modifying vendor files, and no employee is responsible for periodically reviewing changes to the 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

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

- 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

Results: No exceptions were identified as a result of applying the procedure.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

- 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 identified as a result of applying the procedure.

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.

Results: Management represented that the Organization does have credit cards, bank debit cards, fuel cards, and purchase cards (cards).

- 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

Results: This procedure is not applicable as the Organization does not have cards.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: This procedure is not applicable as the Organization does not have cards.

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: This procedure is not applicable as the Organization does not have cards.

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

- 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);

Results: No exceptions were identified as a result of applying the procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Results: No exceptions were identified as a result of applying the procedure.

- 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 #1g; and

Results: No exceptions were identified as a result of applying the procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were identified as a result of applying the procedure.

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;

Results: No exceptions were identified as a result of applying the procedure.

- 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);

Results: No exceptions were identified as a result of applying the procedure.

- 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

Results: No exceptions were identified as a result of applying the procedure.

- 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 identified as a result of applying the procedure.

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.

Results: No exceptions were identified as a result of applying the procedure.

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);

Results: No exceptions were identified as a result of applying the procedure.

b) Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Results: No exceptions were identified as a result of applying the procedure.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

Results: No exceptions were identified as a result of applying the procedure.

d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were identified as a result of applying the procedure.

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.

Results: No exceptions were identified as a result of applying the procedure.

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 identified as a result of applying the procedure.

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

Results: One exception was identified where no documentation was provided to demonstrate the employee completed one hour of ethics training during the calendar year.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

- 22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: No exceptions were identified as a result of applying the procedure.

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.

Results: This procedure is not applicable to Shreveport Charter Foundation, Inc. as a nonprofit.

- 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: This procedure is not applicable to Shreveport Charter Foundation, Inc. as a nonprofit.

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.

Results: Management represented that no misappropriations of public funds and assets occurred during the fiscal period.

- 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.

Results: No exceptions were identified as a result of applying the procedure.

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.

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

- 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.

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

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

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

Results: No exceptions were identified as a result of applying the procedure.

Prevention of Sexual Harassment

29. 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.

Results: This procedure is not applicable to Shreveport Charter Foundation, Inc. as a nonprofit.

30. 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).

Results: This procedure is not applicable to Shreveport Charter Foundation, Inc. as a nonprofit.

31. 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: This procedure is not applicable to Shreveport Charter Foundation, Inc. as a nonprofit.

We were engaged by Shreveport Charter Foundation, 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 Shreveport Charter Foundation, 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS, & INGRAM, LLC

Shreveport, Louisiana

January 15, 2024

Shreveport Charter FOUNDATION

Response to Exceptions in the SAUP Results Report:

We have done a preliminary review of the recommendations in the AUP results. We are in agreement with the report as provided by Carr, Riggs & Ingram, CPAs and Advisors. The Shreveport Charter Foundation will adjust policies and procedures and implement changes where necessary to meet the expectations identified in the report.

DocuSigned by:

Mark Gamble

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State Financial Director - Louisiana

Magnolia School of Excellence

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