
Northshore Charter School

Financial Statements

June 30, 2021

Northshore Charter School
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Independent Auditor's Report

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have audited the accompanying financial statements of Northshore Charter School, a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Northshore Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northshore Charter School as of June 30, 2021, 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.

Report on Comparative Information

We have previously audited Northshore Charter School's 2020 financial statements, and our report dated January 15, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Northshore Charter School. The accompanying schedule of compensation, benefits, and other payments to school head at page 16 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of compensation, benefits, and other payments to school head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of compensation, benefits, and other payments to school head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of performance statistical data at pages 20 – 21, as required by Louisiana state law and referred to in our independent accountant's reports on applying agreed-upon procedures at pages 17 – 19, have not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of Northshore Charter School'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 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 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 Northshore Charter School's internal control over financial reporting and compliance.



Covington, Louisiana
January 28, 2022

Financial Statements

Northshore Charter School
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,369,067	\$ 920,612
Grants receivable	164,976	603,610
Prepaid expenses	16,378	18,423
	<u>1,550,421</u>	<u>1,542,645</u>
Fixed Assets		
Property and equipment, net	391,148	446,127
Other Assets		
Security deposits	32,429	32,429
	<u>\$ 1,973,998</u>	<u>\$ 2,021,201</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 837,880	\$ 819,092
Employee benefits payable	139,818	185,518
Accrued payroll expenses	189,633	205,111
Paycheck Protection Program loan	-	561,809
	<u>1,167,331</u>	<u>1,771,530</u>
Noncurrent liabilities		
Accrued compensated absences	294,747	194,651
	<u>1,462,078</u>	<u>1,966,181</u>
Net Assets		
Without donor restrictions		
Undesignated	511,920	55,020
	<u>\$ 1,973,998</u>	<u>\$ 2,021,201</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
State public school funding	\$ 5,383,204	\$ 5,583,741
Federal grants	194,413	206,985
Meal income	307,678	303,169
Other income	32,135	41,283
	<u>5,917,430</u>	<u>6,135,178</u>
Expenses		
Program expenses		
Regular education	2,509,316	2,757,729
Special education	827,110	497,012
Student support and school administration	1,930,705	1,544,796
Cafeteria	173,594	440,308
Transportation	341,938	315,947
	<u>5,782,663</u>	<u>5,555,792</u>
General administrative expenses	485,908	1,101,880
	<u>6,268,571</u>	<u>6,657,672</u>
Operating loss	<u>(351,141)</u>	<u>(522,494)</u>
Non-operating Activities		
Paycheck Protection Program loan forgiveness	561,809	-
ESSER funding	247,465	116,266
Loss on disposal of fixed assets	(1,233)	(27,397)
	<u>808,041</u>	<u>88,869</u>
Change in net assets without donor restrictions	456,900	(433,625)
Net assets, beginning of year	<u>55,020</u>	<u>488,645</u>
Net assets, end of year	<u>\$ 511,920</u>	<u>\$ 55,020</u>

See accompanying notes to financial statements.

Northshore Charter School
Statement of Functional Expenses
For the Year Ended June 30, 2021
(with summarized comparative information for the year ended June 30, 2020)

	Program Expenses					Total Program Expenses	Support	2021 Total Expenses	2020 Total Expenses
	Regular Education	Special Education	Student Support and School Administration	Cafeteria	Transportation		General Administrative Expenses		
Salaries and wages	\$ 1,465,283	\$ 546,639	\$ 925,686	\$ 12,656	\$ 233,372	\$ 3,183,636	\$ 113,745	\$ 3,297,381	\$ 3,247,519
Employee benefits	560,558	209,137	354,070	4,794	89,305	1,217,864	43,518	1,261,382	1,202,391
Educational supplies	185,074	-	-	-	-	185,074	-	185,074	80,188
Meals purchased	-	-	-	76,071	-	76,071	-	76,071	153,390
Cafeteria supplies	-	-	-	39,648	-	39,648	-	39,648	18,734
School activity fund	-	-	-	-	-	-	-	-	28,548
Rents and leases	193,394	32,156	68,573	19,897	-	314,020	13,767	327,787	333,527
Repairs and maintenance	-	-	5,821	-	-	5,821	717	6,538	90,934
Utilities	-	-	50,447	14,639	-	65,086	10,141	75,227	89,280
Depreciation	-	-	52,464	-	2,532	54,996	3,932	58,928	87,373
Insurance	6,975	2,603	4,406	60	1,111	15,155	83,583	98,738	150,269
Tax penalties and interest	-	-	-	-	-	-	66,394	66,394	666,169
Professional services	55,241	20,610	390,998	472	8,801	476,122	112,378	588,500	44,359
Staff development	-	-	-	-	-	-	-	-	10,106
Office supplies and services	42,791	15,965	78,240	5,357	6,817	149,170	33,210	182,380	452,337
Marketing	-	-	-	-	-	-	4,523	4,523	1,981
Travel	-	-	-	-	-	-	-	-	567
	<u>\$ 2,509,316</u>	<u>\$ 827,110</u>	<u>\$ 1,930,705</u>	<u>\$ 173,594</u>	<u>\$ 341,938</u>	<u>\$ 5,782,663</u>	<u>\$ 485,908</u>	<u>\$ 6,268,571</u>	<u>\$ 6,657,672</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Operating loss	\$ (351,141)	\$ (522,494)
Adjustments to reconcile the decrease in net assets to cash provided by operating activities:		
Depreciation	58,928	87,373
Loss from the disposal of fixed assets	1,233	27,397
(Increase) decrease in:		
Grants receivable	438,634	(30,723)
Prepaid expenses	2,045	26,202
Increase (decrease) in:		
Accounts payable	18,788	570,970
Retirement payable	(45,700)	(210,293)
Accrued expenses	(15,478)	4,007
Accrued compensated absences	100,096	7,929
Net cash provided by (used in) operating activities	<u>207,405</u>	<u>(39,632)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(6,415)</u>	<u>(40,837)</u>
Net cash used in investing activities	<u>(6,415)</u>	<u>(40,837)</u>
Cash Flows From Financing Activities		
Paycheck Protection Program proceeds	-	561,809
ESSER Funding	<u>247,465</u>	<u>116,266</u>
Net cash provided by financing activities	<u>247,465</u>	<u>678,075</u>
Increase in cash and cash equivalents	448,455	597,606
Cash and cash equivalents, beginning balance	<u>920,612</u>	<u>323,006</u>
Cash and cash equivalents, ending balance	<u>\$ 1,369,067</u>	<u>\$ 920,612</u>

See accompanying notes to financial statements.

Northshore Charter School

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Nature of Operations

Northshore Charter School, Inc. (the “School”), was created as a non-profit corporation under the laws of the State of Louisiana (the “State”) on June 11, 2012. On July 1, 2013 the School was granted a five year charter by the Louisiana Board of Elementary and Secondary Education (“BESE”) to operate a Type 2 charter school. As of July 1, 2017, the School converted to a Type 1 charter school. Under this charter, Bogalusa City School Board is responsible for the oversight of the School. The School has a Board of Directors serving on a voluntary basis which governs the School’s finances, operations, and administration. The School serves eligible students in kindergarten through the twelfth grade.

Financial Statement Presentation

The financial statements of the School are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations* (the “Guide”).

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Net Assets

Under the provisions of the Guide, the classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities. In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net assets without donor restriction: net assets available for general use to support operations. The only limits on the use of net assets without donor restriction are broad limits resulting from the nature of the School, the environment in which it operates, and the purposes specified in its corporate documents.
- Net assets with donor restriction: net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When both net assets without donor restriction and net assets with donor restriction are available for use, it is the School’s policy to use net assets with donor restrictions first, then net asset without donor restrictions.

Northshore Charter School

Notes to Financial Statements

Use of Estimates

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

Contributions and Grants

Contributions and grants received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor/grantor is reported as an increase in net assets without donor restrictions. All other restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Reclassifications

Certain revenue and expense accounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. ESSER funding (See Note 8) was reported within operating revenues as federal grants for the year ended June 30, 2020. For the year ended June 30, 2021, ESSER funding is reported as non-operating revenues. This reclassification has resulted in prior year operating loss decreasing by \$116,266 from -\$406,228 to -\$522,494. The reclassifications had no effect on net assets.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present certain categories of expenses that are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of estimates of time and effort and other natural costs are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the cost to a particular program function or supporting function.

The functional expenses presented for the year ended June 30, 2020 is summarized and is not a complete presentation in conformity with Generally Accepted Accounting Principles.

Cash and Cash Equivalents

For financial statement purposes, cash includes demand deposits. All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Receivables

Grants receivable consist of federal and state funds passed through Bogalusa City School Board. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the entity, the School's relationship with the entity, and the age of the receivable balance. As a result of these reviews, management has deemed all receivables at June 30, 2021 and June 30, 2020 to be collectible.

Northshore Charter School

Notes to Financial Statements

Prepaid Expenses

Prepaid expenses consist of upfront costs paid upon the commencement of an operating lease for modular buildings. The costs are to be amortized over the life of the lease.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life between 5 – 15 years. Betterments of \$5,000 or more that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Expenses for repairs and maintenance are recorded as operating expenses as occurred.

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenues or expenses.

Revenues

The School's primary source of funding is through monthly payments from the Minimum Foundation Program ("MFP") funded by the State Public School Fund and BESE based upon per eligible student in attendance at the official pupil count date of October 1 each year. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses occur.

Compensated Absences

Employees earn 10 days paid leave per year to be used in the event of their own illness, an immediate family member's illness, bereavement, visits to required medical practitioners, or personal business. Unused leave can be carried from one year to the next. Upon retirement and/or death, an employee will be paid any unused leave. At June 30, 2021 and 2020, the School had accrued compensated absences of \$294,747 and \$194,651, respectively. The liability is reflected in the statement of financial position as a noncurrent liability. Only the compensated absences payable to current terminating employees are reported as current liabilities.

Marketing

Marketing costs are expensed as incurred and reported as general administrative expenses. Marketing expense was \$4,523 and \$1,981 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

The School has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, the School is no longer subject to federal or state examinations by tax authorities for years prior to 2018.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Northshore Charter School

Notes to Financial Statements

New Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements.

In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The School is currently assessing the impact of this new standard, including the two optional transition methods. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from contract with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* which moved the effective date of this standard back to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

2. Liquidity and Availability of Financial Assets

The School has \$1,534,044 of financial assets available within one year of the statement of financial position date to meet cash needs for general and operating expenditures, consisting of cash of \$1,369,067 and grants receivable of \$164,977. There are no amounts unavailable for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date.

As part of the School's liquidity management, cash is kept in various checking accounts that can be accessed to meet daily needs of the School.

3. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$ 377,587	\$ 428,686
Leasehold improvements	580,044	580,044
	<u>957,631</u>	<u>1,008,730</u>
Less: accumulated depreciation	<u>(566,483)</u>	<u>(562,603)</u>
	<u>\$ 391,148</u>	<u>\$ 446,127</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$58,928 and \$87,373, respectively.

Northshore Charter School

Notes to Financial Statements

4. Retirement Plans

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana (the "TRSL") or the Louisiana School Employees' Retirement System (the "LSERS"). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to these plans follows:

Teachers' Retirement System of Louisiana

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

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

Participants are required to contribute 8.00% of their annual covered payroll to the TRSL. The School is required to contribute at an actuarially determined rate. The rate was 25.8% and 26.0% of annual eligible covered payroll for the years ended June 30, 2021 and 2020, respectively. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's required contributions to TRSL was \$688,400 for the year ended June 30, 2021 and \$724,718 for the year ended June 30, 2020. The School had a payable due to TRSL totaling \$137,680 for the year ended June 30, 2021 and \$142,503 for the year ended June 30, 2020.

Louisiana School Employees' Retirement System

The State of Louisiana School Employees' Retirement System (the "LSERS") was established and provided for by Louisiana R.S. 11:1001 as a cost-sharing, multiple employer defined benefit pension plan under section 401(a) of the Internal Revenue Code. The LSERS provides retirement benefits as well as disability and survivor benefits to all eligible school bus operators, school janitors, school custodians, school maintenance employees, and school bus aides. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. The report may be obtained by writing to the Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804.

Participants vest immediately in employee contributions to the plan. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. Plan members are required to contribute 8.00% of their annual covered salary, and employers contributed 28.7% and 29.4% of annual eligible covered payroll for the years ended June 30, 2021 and 2020, respectively. Member and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to LSERS were \$32,996 and \$49,962 for the years ended June 30, 2021 and 2020, respectively.

Northshore Charter School

Notes to Financial Statements

5. Shared Services Agreement

In April 2018, the School and Bogalusa City School Board (“BCSB”) entered into a contract for BCSB to provide the following services to the School:

- Anzio Software: annual software license for financial management and accounting software and includes software maintenance and technical support - \$8,500 annually (25% of the total cost to BCSB)
- EdGear JCampus Software: annual software license for student records management and includes annual software maintenance and technical support - \$13,750 annually (25% of the total cost to BCSB)
- Title I Crate Software: annual software license for grant management and includes annual maintenance and technical support - \$1,350 annually
- Special Education, Pupil Appraisal, and Related Services: provision of services and administrative support - \$170,458 annually (25% of the total cost to BCSB)
- Alternative Education Program Services: program administration and two teachers - \$52,685 annually (25% of the total cost to BCSB)

6. Commitments

Operating Leases

On May 22, 2014, as amended in September 2018, the School entered into an operating lease agreement for modular buildings. The term of the lease is 72 months with equal monthly payments of \$11,853 beginning August 2014 with the final payment due July 2021. On May 12, 2021 the lease was renewed at a rate of \$12,445 per month for the period of August 2021 through June 2022.

In March 2016, the School entered into an operating lease agreement for a modular building. The term of the lease is 60 months with equal monthly payments of \$5,790 beginning July 2016 with the final payment due June 2021. The lease was extended for an additional twelve months at a rate of \$7,299 per month for the period of July 2021 through June 2022.

Future minimum payments under these agreements are as follows:

For the Year Ended June 30:	<u>Amount</u>
2022	\$ 223,891

Offer Letters

The School has offer letters with most of its employees. The offer letters for the current year expired June 30, 2021. All offer letters provide for a minimum annual salary and other benefits.

Northshore Charter School

Notes to Financial Statements

7. Contingency

Funding

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with Bogalusa City School Board. If the State of Louisiana legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated. An estimate of possible loss or range of loss cannot be made.

Disruption of Operations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closure of businesses and other institutions. The School has been affected by the COVID-19 restrictions in the state of Louisiana and the impacts of COVID-19 may have a material adverse impact on its results of operations, financial position and cash flows in 2021. The extent of the impact of COVID-19 on operational and financial performance is uncertain and will depend on variables including duration and spread of the outbreak, impact on donors, employees and suppliers. At this point the extent to which COVID-19 may impact the School's operations, financial condition and cash flows cannot be reasonably estimated.

8. CARES Act

Paycheck Protection Program

The School obtained a loan in the amount of \$561,809 through the Paycheck Protection Program administered by the U.S. Small Business Administration which is part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). The loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. However, the loan may be forgiven if certain conditions are met. The School's loan totaling \$561,809 was forgiven during the 2021 fiscal year.

Elementary and Secondary School Emergency Relief Fund

Congress provided funding to the Education Stabilization Fund through the CARES Act for the Elementary and Secondary School Emergency Relief Fund ("ESSER"). The grants are awarded to state educational agencies (SEAs) for the purpose of providing local educational agencies (LEAs), including charter schools that are LEAs, with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. The School was awarded \$247,465 of ESSER funds for the year ended June 30, 2021 and \$116,266 for the year ended June 30, 2020. The revenue is considered non-operating and reported as assets without donor restrictions since all restrictions were met in the fiscal year awarded.

Northshore Charter School

Notes to Financial Statements

9. IRS Assessed Penalties and Interest

During the 2020 fiscal year, the School received several notices from the Internal Revenue Service (“IRS”) indicating the School owed the IRS a total of \$666,169 for civil penalties and interest related to the calendar years 2014, 2015, 2016, and 2017. According to the IRS, the civil penalties and interest were levied against the School for late payments of payroll tax deposits due to the United States Treasury; late submissions of IRS Form 941 to the Internal Revenue Service; and failure to submit Form W2s to the Social Security Administration.

For the year ended June 30, 2021, the School made payments totaling \$59,961 toward this balance, and incurred \$66,394 of interest on the outstanding balance. The balance due at June 30, 2021 was \$672,601. Management is currently working with tax advisors to dispute the assessment of such penalties and interest and attempt to alleviate the School of such amounts. Due to the uncertainty of whether or not the penalties and interest will be removed or reduced, the School must report a liability of \$672,601 as accounts payable on the statement of financial position and the related expense as tax penalties and interest under general administrative expenses on the statement of functional expenses. Financials will be revised in the upcoming fiscal year to reflect any respite from the penalties and interest cited.

10. Board Member Compensation

<u>Board Member</u>	<u>Amount</u>
Reginald "Bubba" Bourne	\$ -
Theresa Glenn	-
Lisa Miles	-
Roosevelt Ludd	-
Cindy Bourne	-
Tiye Yayu	-
	<u>\$ -</u>

11. Subsequent Events

Management has evaluated subsequent events through January 28, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

Northshore Charter School
Schedule of Compensation, Benefits, and Other Payments to School Head
For the Year Ended June 30, 2021

School Head: Linda McCullough
Position: Principal

Purpose	Amount
Salary	\$ 115,800
Performance bonuses	32,311
Benefits - insurance	11,985
Benefits - retirement	38,283
	<u>\$ 198,379</u>

***Statewide Agreed-Upon Procedures
Required by Louisiana State Law***

**Independent Accountant’s Report
on Applying Agreed-Upon Procedures**

To the Board of Directors and Management
Northshore Charter School
Bogalusa, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Northshore Charter School (the “School”), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the “specified users”) solely to assist users in evaluating management’s assertions about the performance and statistical data accompanying the annual financial statements of the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (“BESE”) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules of performance and statistical data are as follows:

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

1. Select a random sample of 25 transactions and review supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Results

No exceptions noted. See Schedule 1.

Class Size Characteristics (Schedule 2)

2. Obtain a list of classes by school, school type, and class size as reported on Schedule 2. Trace a sample of 10 classes to the October 1st roll books for those classes and observe that the class was properly classified on the schedule.

Results

No exceptions noted. See Schedule 2.

Education Levels of Public School Staff (No Schedule)

3. Obtain October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtain management's representation that the data/listing is complete. Select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's education level and experience was property classified on the PEP data or equivalent listing prepared by management.

Results

Our testing indicated that the education level of eight teachers were different than the level reported on the PEP data submitted to the Department of Education. See exceptions below.

Teacher	Certification in PEP Data	Certification in File
1	L1	L3
2	AN	L1
3	L4	L2
4	B	L2
5	None	L3
6	ED1	L2
7	L1	L2
8	L1	L2

Public School Staff Data: Average Salaries (No Schedule)

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

Results

No exceptions noted.

Results

We noted the following exception as a result of applying the above procedures:

1. *Education Level of Public School Staff*

The education level of eight teachers were different than the level reported on the PEP data submitted to the Department of Education.

Management's Response and Correction Action

1. The School will implement policies to ensure all teachers experience is confirmed and accurately documented.

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

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



Covington, Louisiana
January 28, 2022

Northshore Charter School
General Fund Instructional and Support Expenditures
and Certain Local Revenue
For the Year Ended June 30, 2021

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 1,699,807
Other Instructional Staff Salaries	312,115
Instructional Staff Employee Benefits	779,273
Purchased Professional and Technical Services	75,851
Instructional Materials and Supplies	243,830
Instructional Equipment	-
Total Teacher and Student Interaction Activities	<u>3,110,876</u>

Other Instructional Activities -

Pupil Support Services	330,691
Less: Equipment for Pupil Support Services	-
Net Pupil Support Services	<u>330,691</u>

Instructional Staff Services	363,601
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	<u>363,601</u>

School Administration	1,033,837
Less: Equipment for School Administration	-
Net School Administration	<u>1,033,837</u>

Total General Fund Instructional Expenditures \$ 4,839,005

Total General Fund Equipment Expenditures \$ -

Certain Local Revenue Sources

Local Taxation Revenue	\$ -
Local Earnings on Investment in Real Property	-
State Revenue in Lieu of Taxes	-
Nonpublic Textbook Revenue	-
Nonpublic Transportation Revenue	-

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

Northshore Charter School
Class Size Characteristics
As of October 1, 2020

Schedule 2

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	50%	13	50%	13	0%	0	0%	0

***Reports Required by
Government Auditing Standards***

**Independent Auditor’s Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Northshore Charter School
Bogalusa, 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 Northshore Charter School (the “School”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Covington, Louisiana
January 28, 2022

Northshore Charter School
Summary of Auditor's Results and Schedule of Findings
For the Year Ended June 30, 2021

A. Summary of Audit Results

Financial Statements

- a. Type of auditor's report issued: Unmodified
- b. Internal control over financial reporting:
- | | | |
|--|-----------|--|
| Material weaknesses identified | _____ yes | _____ <input checked="" type="checkbox"/> no |
| Significant deficiencies identified that are
not considered to be material weaknesses | _____ yes | _____ <input checked="" type="checkbox"/> none noted |
- c. Noncompliance material to financial
statements noted
- | | | |
|--|-----------|--|
| | _____ yes | _____ <input checked="" type="checkbox"/> no |
|--|-----------|--|

**B. Findings Related to the Financial Statements Reported in Accordance with
*Government Auditing Standards***

None noted

Northshore Charter School
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2021

**A. Findings Related to the Financial Statements Reported in Accordance with
*Government Auditing Standards***

2020 –1 Material Weakness: Payroll Taxes and Reports

Condition and Criteria

The Internal Revenue Service (“IRS”) assessed civil penalties and interest on the School totaling \$666,196, as of June 30, 2020, related to the calendar years 2014, 2015, 2016, and 2017 for late payments of payroll tax deposits due to the United States Treasury; late submissions of IRS Form 941 to the Internal Revenue Service; and failure to submit Form W2s to the Social Security Administration.

The civil penalties and interest accumulated over time due to the previous Chief Financial Officer discarding the IRS notices and not bringing the notices to the attention of those with oversight.

Payroll taxes and payroll reports should be remitted timely to ensure civil penalties and interest are not assessed against the School. IRS notices / communications should be provided to someone who does not oversee the payroll process, preferably a Board member.

Cause

Insufficient oversight of the payroll process during the 2014 through 2017 calendar years. In addition, all communications from the Internal Revenue Service were given directly to the previous Chief Financial Officer which were not properly addressed. No one with oversight was aware these notices were being sent to the School resulting in no action being taken sooner.

Effect

The School may be liable to the IRS for civil penalties and interest totaling \$666,196.

Recommendation

We recommend all communications from the Internal Revenue Service be provided to someone other than the individual overseeing the payroll process, preferably a Board member.

Update

The School already outsourced payroll to a third party payroll provider during the 2018 fiscal year which should minimize the likelihood of payroll taxes and payroll reports not being submitted timely in the future. Also, the previous Chief Financial Officer is no longer employed by the School.

The School is still pursuing the abatement of the penalties and interest.