

CAPITOL EDUCATION FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Capitol Education Foundation
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Capitol Education Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capitol Education Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of Compensation, Benefits and Other Payments to the School Leader, 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data are not required parts of the basic financial statements but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2021, on our consideration of Capitol Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Capitol Education Foundation'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 Capitol Education Foundation's internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

November 20, 2021

**CAPITOL EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	283,924	727,398
Accounts receivable, net	920,044	206,985
Prepaid expenses	-	38,969
Total Current Assets	<u>1,203,968</u>	<u>973,352</u>
Property and Equipment		
Leasehold improvements	410,414	325,495
Furniture and fixtures	62,325	62,325
Equipment	956,143	760,284
Accumulated depreciation	<u>(1,000,273)</u>	<u>(786,892)</u>
Total Property and Equipment	428,609	361,212
Total Assets	<u>\$ 1,632,577</u>	<u>\$ 1,334,564</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	230,970	308,213
Accrued wages	130,485	70,668
Short-term debt	-	192,972
Total Current Liabilities	<u>361,455</u>	<u>571,853</u>
Long Term Liabilities		
Long-term debt	<u>-</u>	<u>381,409</u>
Total Liabilities	<u>361,455</u>	<u>953,262</u>
Net Assets		
Net Assets Without Donor Restrictions	<u>1,271,122</u>	<u>381,302</u>
Total Liabilities and Net Assets	<u>\$ 1,632,577</u>	<u>\$ 1,334,564</u>

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES		
Minimum Foundation Program	3,875,021	3,895,237
Federal grants	1,148,365	645,450
State grants	50,214	90,982
Contributions	2,127	952
Athletics	16,313	57,512
PPP loan forgiveness	477,053	-
Other income	48,448	38,527
Total Revenues	<u>5,617,541</u>	<u>4,728,660</u>
EXPENSES		
Program services	4,044,995	3,826,517
Management and general	682,726	559,143
Total Expenses	<u>4,727,721</u>	<u>4,385,660</u>
CHANGE IN NET ASSETS	889,820	343,000
Net assets - beginning of year	<u>381,302</u>	<u>38,302</u>
Net assets - end of year	<u>\$ 1,271,122</u>	<u>\$ 381,302</u>

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Curriculum materials and software	\$ 189,087	\$ -	\$ 189,087
Depreciation	170,705	42,676	213,381
Employee benefits	147,948	31,115	179,063
Food service	119,940	-	119,940
Insurance	48,828	12,207	61,035
Miscellaneous	-	31,778	31,778
Office expense	25,429	-	25,429
Payroll taxes	158,223	16,033	174,256
Professional development	59,225	19,742	78,967
Rent	8,466	2,117	10,583
Repairs and maintenance	188,895	47,224	236,119
Salaries	1,841,702	198,395	2,040,097
Supplies	158,011	2,410	160,421
Technical and professional services	388,512	243,361	631,873
Transportation	397,350	-	397,350
Utilities	142,674	35,668	178,342
	<u>\$ 4,044,995</u>	<u>\$ 682,726</u>	<u>\$ 4,727,721</u>

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Athletics	\$ 98,376	\$ -	\$ 98,376
Curriculum materials and software	165,896	-	165,896
Depreciation	169,856	42,464	212,320
Employee benefits	160,541	23,851	184,392
Food service	181,755	-	181,755
Insurance	69,103	17,276	86,379
Interest	-	15,592	15,592
Janitorial	15,038	3,759	18,797
Miscellaneous	-	5,055	5,055
Payroll taxes	139,330	18,097	157,427
Recruiting	89,693	-	89,693
Repairs and maintenance	160,844	40,211	201,055
Salaries	1,848,445	190,772	2,039,217
Security	41,938	10,484	52,422
Supplies	56,685	8,387	65,072
Technical and professional services	252,023	150,464	402,487
Transportation	244,848	-	244,848
Travel	1,222	-	1,222
Utilities	130,924	32,731	163,655
	<u>\$ 3,826,517</u>	<u>\$ 559,143</u>	<u>\$ 4,385,660</u>

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 889,820	\$ 343,000
<u>Adjustments to reconcile net revenues over expenses to net cash provided by operating activities:</u>		
Depreciation	213,381	212,320
Increase in accounts receivable	(713,059)	(11,005)
Decrease in prepaid expenses	38,969	12,953
Decrease in accounts payable	(77,243)	(529,581)
Increase in accrued wages	59,817	33,678
Total adjustments	(478,135)	(281,635)
Net cash provided by operating activities	<u>411,685</u>	<u>61,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(280,778)</u>	<u>(105,963)</u>
Net cash used by investing activities	<u>(280,778)</u>	<u>(105,963)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	-	242,972
Proceeds from long-term debt	-	381,409
Forgiveness of short-term debt	(192,972)	(200,000)
Forgiveness long-term debt	<u>(381,409)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(574,381)</u>	<u>424,381</u>
INCREASE (DECREASE) IN CASH	(443,474)	379,783
CASH, BEGINNING OF YEAR	<u>727,398</u>	<u>347,615</u>
CASH, END OF YEAR	<u>\$ 283,924</u>	<u>\$ 727,398</u>

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

1. Summary of Significant Accounting Policies

(a) Organization

Capitol Education Foundation (formerly named Friendship Louisiana, Inc.) (the School) was incorporated on June 29, 2012 as a non-profit corporation under the laws of the State of Louisiana. The School was approved as a Type 5 charter by the Louisiana Board of Elementary and Secondary Education (BESE) on July, 1, 2014. The School first opened for students beginning with the 2014-2015 school year.

Upon expiration of the initial charter contract on June 30, 2019, the School entered into a new school management agreement with the Louisiana Department of Education to manage the School with the charter assigned to the Recovery School District.

The school management agreement is effective through June 30, 2022.

(b) Basis of Accounting

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP").

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The allocation calculation is primarily based on the student enrollment at the School and is recognized monthly, with no additional conditions or restrictions, when received.

Federal and state funds are passed through the Louisiana Department of Education. The School's federal grant funding is on a cost reimbursement basis and is recognized as earned once the expenditures have been incurred, at which time all performance obligations have also been satisfied.

The School also receives revenue in the form of athletic activities revenues. These revenues are received from patrons attending school sponsored sporting events. These funds are used to help cover the cost of hosting these events and provide compensation for teachers, chaperons, referees, or other personnel required to officiate or supervise these activities.

(d) Net Assets

The School reports information regarding its financial positions and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions. The School does not have any net assets with donor restrictions for the years ended June 30, 2021 & 2020, respectively.

**CAPITOL EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

1. Summary of Significant Accounting Policies (continued)

(e) Cash and cash equivalents

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes.

(f) Accounts Receivable

Accounts receivable represent amounts due under federal and state grant programs as well as contributions. The grant programs are reimbursable in nature and revenue is recognized as a receivable once the expenditures are incurred. Contributions are recognized at estimated fair value when the donor makes a pledge to give when it is an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met.

(g) Functional Expenses

The School allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program, such as curriculum supplies, are allocated directly according to their natural expense classification. Other expenses that are attributable to both the program and general and administrative based on management's estimate of time, percentage, or square footage used, among other factors.

(h) Income Taxes

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

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files federal information returns in the U.S. federal jurisdiction. The School is not subject to U.S. federal income tax examinations by tax authorities beyond three years from the filing of those returns.

(i) Use of Estimates

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

2. Concentrations

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash amounts in excess of FDIC insured limits at June 30, 2021 and 2020 were \$41,247 and \$482,654, respectfully. Management, however, believes the credit risk associated with these deposits is minimal.

**CAPITOL EDUCATION FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

2. Concentrations (continued)

The School receives the majority of its operating revenue from the Louisiana Department of Education in the form of Minimum Foundation program funding and federal reimbursable grants. The percentage of revenue and receivables from these sources in excess of 5% is as follows:

	<u>2021</u>	<u>2020</u>
Revenue		
Minimum Foundation Program	69%	82%
Federal Grants	20%	14%
Receivables		
Federal Grants	92%	80%
State Grants	8%	20%

3. Leases

The School occupies a building that is owned by the East Baton Rouge Parish School Board and therefore does not make any monthly lease payments. In exchange for occupying the building at no cost the School receives lower Minimum Foundation Program funding per student.

4. Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. The School capitalizes all expenditures of depreciable assets where cost exceeds \$500. Depreciation is computed using the straight line method and is provided over the estimated useful lives of the assets, which is generally three to five years.

Under the current agreement all property and equipment purchased with Louisiana Department of Education funds are owned by the State of Louisiana.

5. Compensated Absences

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

6. Benefit Plan

The School maintains a 401(k) retirement plan for its employees. All employees who meet eligibility requirements related to age and length of service are eligible to participate in the plan. Employees may elect to defer a certain percentage of their total compensation, within limits established by the Internal Revenue Code. The School matches up to 3% of employee deferrals. For the years ended June 30, 2021 and 2020, the total amount paid by the School under the plan was \$14,763 and \$17,531, respectively.

**CAPITOL EDUCATION FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

7. Line of Credit

The School has an available line of credit of \$300,000 with a bank. Interest on the line of credit is calculated at 1.05 percentage points over the bank's prime rate, which was 4.30% at year end. As of June 30, 2021 and 2020, the outstanding balance on the line of credit was \$0 and \$97,328, respectively.

8. PPP Loan

During fiscal year 2020, the School received a Payroll Protection Program (PPP) loan from the SBA in the amount of \$477,053. The purpose of this loan was to maintain payroll and other operating expenses during the COVID-19 pandemic. The terms of the loan allow for the amount to be forgiven in full if funds are used for payroll and certain operating expenses. During the current year, the SBA granted forgiveness of the full balance and it was recorded as revenue as of June 30, 2021.

9. Reclassification

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

10. Commitments and Contingencies

The School receives grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the School's management that its compliance with the terms of the grants will not result in any disallowed costs.

11. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of a contractual or donor imposed restriction within one year of the statement of financial position date.

Financial Assets at Year End:	2021	2020
Cash	\$ 283,924	\$ 727,398
Accounts Receivable, net	920,044	206,985
Available Line of Credit	300,000	202,672
Financial Assets Available for General Expenditures	<u>\$ 1,503,968</u>	<u>\$ 1,137,055</u>

As part of the School's liquidity management, cash is kept in a checking account that can be accessed to meet daily needs of the organization. These funds can also be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

12. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 20, 2021, which is the date the financial statements were available to be issued.

**CAPITOL EDUCATION FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

13. Risk and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the School is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

14. Prior Period Adjustment

Due to the change in the charter agreement after June 30, 2019, the prior outstanding claims for SIG grant funding were voided. The School was able to submit new claims for the same funding, under the current charter, for current year expenditures. These events resulted in the misstatement of financial statements in form of an overstatement of beginning net assets without donor restrictions and accounts receivable, as presented below in the June 30, 2020 financial statements.

The effect of the restatement on the financial statements as of and for the year ended June 30, 2020 are summarized below:

	As Previously Stated	Adjustment	June 30, 2020 as Restated
Accounts receivable	\$ 706,985	\$ (500,000)	\$ 206,985
Beginning net assets without donor restrictions	\$ 538,302	\$ (500,000)	\$ 38,302

**CAPITOL EDUCATION FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture:			
Passed Through LA Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	\$ 48,065
Child and Adult Care Food Program	10.558	N/A	3,477
National School Lunch Program	10.555	N/A	<u>108,530</u>
Total Child Nutrition Cluster			<u>160,072</u>
Total U.S. Department of Agriculture			160,072
U.S. Department of Education:			
Passed Through LA Department of Education			
Special Education Grants to States	84.027	N/A	75,899
Supporting Effective Instruction State Grants	84.367	N/A	22,626
School Improvement Grants	84.377	N/A	500,000
Education Stabilization Fund Under the CARE Act	84.425	N/A	129,930
Title I Grants to Local Educational Agencies	84.010	N/A	<u>259,838</u>
Total Passed Through LA Department of Education			<u>988,293</u>
Total U.S. Department of Education			<u>988,293</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,148,365</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**CAPITOL EDUCATION FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal loan activity of Capitol Education Foundation under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**CAPITOL EDUCATION FOUNDATION
 SCHEDULE OF COMPENSATION, BENEFITS, AND
 OTHER PAYMENTS TO THE SCHOOL LEADER
 FOR THE YEAR ENDED JUNE 30, 2021**

School Leader:	J. Blanchard	R. Lang
Salary	\$ 150,730	\$ 113,025
Benefits - Insurance	642	6,060
Benefits - Retirement	6,000	-
	<u>\$ 157,372</u>	<u>\$ 119,085</u>

See accompanying notes and independent auditors' report.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Board of Directors
Capitol Education Foundation
Baton Rouge, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capitol Education Foundation (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 & 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capitol Education Foundation'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 Capitol Education Foundation'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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitol Education Foundation'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 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. This report is intended solely for the information and use of the audit committee, management, and others within the organization, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Daigrepoint & Brian APAC".

Daigrepoint & Brian, APAC
Baton Rouge, La.

November 20, 2021

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Capitol Education Foundation
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

We have audited Capitol Education Foundation (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Capitol Education Foundation's major federal programs for the year ended June 30, 2021. Capitol Education Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Capitol Education Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capitol Education Foundation's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Capitol Education Foundation's compliance

Opinion on Each Major Federal Program

In our opinion Capitol Education Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Capitol Education Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capitol Education Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capitol Education Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Daigrepont & Brian, APAC
Baton Rouge, LA

November 20, 2021

**CAPITOL EDUCATION FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

We have audited the financial statements of Capitol Education Foundation, as of June 30, 2021, and for the year then ended, and have issued our report thereon dated November 20, 2021. 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 and the provisions of the Uniform Guidance. Our audit of the financial statements as of June 30, 2021 resulted in an unqualified opinion.

Summary of Auditors' Reports

A. Identification of Major Programs

CFDA Number	Name of Federal Program
84.377	School Improvement Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Is the auditee a 'low risk' auditee as defined by the Uniform Guidance	Yes <u> X </u> No <u> </u>

B. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control			
Material Weaknesses	Yes <u> </u>	No <u> X </u>	
Significant Deficiencies	Yes <u> </u>	No <u> X </u>	
Compliance			
Compliance Material to Financial Statements	Yes <u> </u>	No <u> X </u>	

C. Report on Each Major Federal Program and on Internal Control Over Compliance

Internal Control			
Material Weaknesses	Yes <u> </u>	No <u> X </u>	
Significant Deficiencies	Yes <u> </u>	No <u> X </u>	
Type of Opinion on Compliance for Major Programs	Unmodified		
Are there findings required to be reported in accordance with the Uniform Guidance	Yes <u> </u>	No <u> </u>	No <u> X </u>

Findings - Financial Statement Audit

There are no findings for the year ended June 30, 2021

Questioned Costs

There are no questioned costs for the year ended June 30, 2021

See accompanying notes and independent auditors' report.

**CAPITOL EDUCATION FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Summary of Prior Year Audit Findings

There are no findings for the year ended June 30, 2020

Questioned Costs

There are no questioned costs for the year ended June 30, 2020

See accompanying notes and independent auditors' report.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Capitol Education Foundation
Baton Rouge, LA

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Capitol Education Foundation (a non-profit organization) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Capitol Education Foundation for the fiscal year ended June 30, 2021; and to determine specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514.1. Management of Capitol Education Foundation, is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

Procedure #1

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

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

Results of Procedure #1

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

Class Size Characteristics (Schedule 2)

Procedure #2

We obtained a list of classes by school, school type, and class size as reported on the Schedule. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the Schedule.

Results of Procedure #2

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

Education Levels/Experience of Public School Staff (No Schedule)

Procedure #3

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

Results of Procedure #3

No differences were noted between the PEP data information provided and the information in the personnel files.

Public School Staff Data: Average Salaries (No Schedule)

Procedure #4

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

Results of Procedure #4

No differences were noted between the salary information reported on the PEP data report provided by management and the supporting records.

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

This purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Capitol Education Foundation, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian
Baton Rouge, LA

November 20, 2021

CAPITOL EDUCATION FOUNDATION
BATON ROUGE, LA

Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2021

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

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

Schedule 2 – Class Size Characteristics

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

**CAPITOL EDUCATION FOUNDATION
BATON ROUGE, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2021**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 873,799	
Other Instructional Staff Activities	844	
Instructional Staff Employee Benefits	191,354	
Purchased Professional and Technical Services	122,838	
Instructional Materials and Supplies	265,058	
Instructional Equipment	<u>139,244</u>	
Total Teacher and Student Interaction Activities		1,593,137
Pupil Support Activities	71,163	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		71,163
Instructional Staff Services	78,439	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		78,439
School Administration	627,569	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>627,569</u>
Total General Fund Instructional Expenditures		<u>\$ 2,370,308</u>
Total General Fund Equipment Expenditures		<u>\$ 139,244</u>

**CAPITOL EDUCATION FOUNDATION
BATON ROUGE, LA**

**Class Size Characteristics
As of October 1, 2020**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High	33%	31	31%	30	31%	30	4%	5
High Activity Classes	47%	16	26%	9	24%	8	3%	1
Combination								
Combination Activity Classes								

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