
SOUTH LOUISIANA CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2021

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BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the South Louisiana Charter Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statement of activities and changes in net assets, statement of 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.

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. 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 auditors' 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 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 the Foundation 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, South Baton Rouge Charter Academy statement of functional expenses, Iberville Charter Academy statement of functional expenses, combining statement of financial position to fund balance reconciliation, changes in the combining statement of activities and changes in net asset to changes in fund balance, schedule of compensation, benefits and other payments to Board President presented on pages 15-21, as well as the schedule of expenditures of federal awards presented on pages 26-27, required by Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the Foundation'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 solely 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 the 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 the Foundation's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Baton Rouge, Louisiana
February 11, 2022

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash	\$ 2,383,619
Cash - restricted	21,320
Grants receivable	1,438,288
Prepaid expenses and other	24,422
Total current assets	<u>3,867,649</u>

PROPERTY AND EQUIPMENT (NET):

17,168,191

NON-CURRENT ASSETS:

Utility deposit	28,295
Other assets	34,495
Total non-current assets	<u>62,790</u>

Total assets

\$ 21,098,630

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 494,156
Accrued payroll and related expenses	647,303
Due to CSUSA	897,345
Accrued interest payable	191,589
Capital lease payable - short term portion	681,943
Other liabilities	9,524
Funds held in custody	21,320
Total current liabilities	<u>2,943,180</u>

LONG TERM LIABILITIES:

Notes payable	1,110,000
Capital lease payable	22,417,264
Total long-term liabilities	<u>23,527,264</u>

NET DEFICIT:

Without donor restrictions	<u>(5,371,814)</u>
Total net deficit	<u>(5,371,814)</u>

Total liabilities and net deficit

\$ 21,098,630

The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

Revenue, Grants and Other Support

Minimum Foundation Program (MFP)	\$ 15,573,559
Federal grants	1,284,602
State grants	170,977
Paid meals	4,603
Before and aftercare fees	12,165
E-rate revenues	63,465
Interest income	798
Total revenues, grants, and other support without donor restrictions	<u>17,110,169</u>

Expenses:

Program services:	
Regular education	10,296,885
Special education	1,944,338
Other education	237,473
Total program services	<u>12,478,696</u>
Supporting services:	
Management and general	<u>4,163,463</u>
Total expenses	<u>16,642,159</u>
Change in net assets	468,010

**NET DEFICIT AT BEGINNING
OF THE YEAR**

(5,839,824)

NET DEFICIT AT END OF THE YEAR

\$ (5,371,814)

The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 3,609,457	\$ 754,206	\$ 174,084	\$ 398,834	\$ 4,936,581
Benefits	631,582	112,982	33,844	95,795	874,203
Professional Services	872	97	-	40,925	41,894
Contracted/Vendor Services	1,954,671	634,345	-	1,259,148	3,848,164
Professional Development	155,851	17,343	-	-	173,194
Supplies/Materials	438,941	51,027	-	28,401	518,369
Utilities	303,253	33,747	-	11,186	348,186
Repairs and Maintenance	465,103	10,869	-	3,602	479,574
Insurance	102,315	11,387	-	3,857	117,559
Rent	40,541	4,559	-	1,370	46,470
Interest	-	-	-	2,191,411	2,191,411
Depreciation and amortization	897,416	99,868	-	33,096	1,030,380
School Board Fees	172,261	19,170	-	-	191,431
Travel	2,495	277	-	1,475	4,247
Marketing/Recruitment	185,984	20,697	-	6,682	213,363
Food Service	371,716	38,295	29,545	5,674	445,230
Technology	50,321	5,601	-	29,593	85,515
Office expense	18,021	30,147	-	37,801	85,969
Student Services	688,579	76,628	-	-	765,207
Property Tax	207,506	23,093	-	7,654	238,253
Other	-	-	-	6,959	6,959
	<u>\$ 10,296,885</u>	<u>\$ 1,944,338</u>	<u>\$ 237,473</u>	<u>\$ 4,163,463</u>	<u>\$ 16,642,159</u>

The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 468,010
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,030,380
Decrease (increase) in:	
Federal program receivables	(521,096)
Other receivables	2,694
Due to CSUSA	156,438
Prepaid expenses and other	(21,084)
Other assets	(31,376)
Increase (decrease) in:	
Accounts payable	273,556
Accrued payroll and related expenses	162,805
Accrued other expenses	(9,217)
Funds held in custody	(36,507)
Net cash provided by operating activities	<u>1,052,316</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	<u>(268,344)</u>
Net cash used in investing activities	<u>(268,344)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease	(81,573)
Proceeds from notes payable	<u>1,110,000</u>
Net cash provided by financing activities	<u>1,028,427</u>

Net increase in cash	1,812,399
Beginning cash balance	<u>592,540</u>
Ending cash balance	<u>\$ 2,404,939</u>

Reconciliation of Cash Balances

Cash	\$ 2,383,619
Cash - restricted	<u>21,320</u>
Ending cash balance	<u>\$ 2,404,939</u>

Supplemental disclosure of cash flow information

Interest paid (net of capitalized interest of \$613,877)	<u>\$ 2,072,129</u>
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The accompanying notes are an integral part of this financial statement.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2020-2021 school year, the Foundation operated Iberville Charter Academy (Iberville), under a Type 2 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board (EBRPSB). The Iberville and South Baton Rouge charter agreements will terminate on June 30, 2022, unless extended at the discretion of BESE and EBRPSB. Collectively, the schools had enrollment of approximately 1,290 students for the 2020-2021 school year.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Foundation has no net assets with donor restrictions for the year ended June 30, 2021.

Functional Allocation of Expenses by Nature and Class

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statement of functional expenses by nature and class. Accordingly, certain costs have been allocated between program services and management and general services benefited. Such allocations are determined by management on an equitable basis as noted on the following page.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses by Nature and Class (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Enrollment, square footage, time and effort
Benefits	Enrollment, square footage, time and effort
Professional services	Time and effort
Contracted/vendor services	Enrollment
Professional development	Enrollment
Supplies/materials	Enrollment, square footage, time and effort
Utilities	Square footage
Repairs and maintenance	Square footage
Insurance	Square footage, time and effort
Rent	Square footage
Depreciation and amortization	Square footage
School board fees	Enrollment
Travel	Enrollment, time and effort
Marketing/recruitment	Enrollment, square footage
Food service	Enrollment, time and effort
Technology	Square footage, time and effort
Office expense	Enrollment, square footage
Student services	Enrollment
Property tax	Enrollment, square footage

There were no fundraising costs for the year ended June 30, 2021.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the disclosures, and the reported amounts of assets and liabilities, and the reported revenues and expenditures. Significant estimates have been applied in the determination of depreciation in the preparation of the accompanying financial statements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Funds Held in Custody

The Foundation considers all student activity funds and unexpended income from these funds to be funds held in custody. All funds held in custody are recorded in the statement of financial position at cost which represents their fair values.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management has concluded that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2021.

Public Support and Revenue Recognition

The Foundation receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Foundation receives Minimum Foundation Program (MFP) funding from the Louisiana Department of Education through the Louisiana Board of Elementary and Secondary Education according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are without donor restrictions. A substantial portion of federal grants are expenditure driven and as such is classified as without donor restrictions in the statement of activities and changes in net assets. The Foundation also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served. Before and after care fees and e-rate revenues are recognized when earned.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. 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. Contributions whose donor restrictions are met in the same reporting period are reported as without donor restrictions. No contributions were received for the fiscal year ended June 30, 2021.

Cash

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2021, cash deposits are in excess of FDIC insurance limits by \$2,171,372.

For purposes of these calculations, "cash deposits" are comprised of the account balances according to the bank's records at each year end. Management believes the credit risk associated with these deposits is minimal. Restricted cash represents amounts held by the Foundation for the funds held in custody.

Advertising

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$194,975 during the fiscal year ended June 30, 2021. These amounts are included in marketing and recruitment expenses on the Statement of Functional Expenses.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Foundation has adopted the practice of capitalizing all expenditures for depreciable assets for per unit cost which exceeds \$750 or an asset purchase over \$5,000. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 20 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 20 years.

Tax Exempt Status

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2021.

The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

New Accounting Pronouncements

The Foundation adopted Accounting Standards Update (ASU) 2014-09 and related amendments, *Revenue from Contracts with Customers* (Topic 606), during the year. This ASU was issued to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Analysis of various provisions of this standard resulted in no significant changes in the way Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Accounting Pronouncements Issued But Not Yet Effective

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations, and enhances disclosures with respect to these contributions. The amendments in this ASU will be applied on a retrospective basis and are effective for the Foundation's fiscal year ending June 30, 2022.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Issued But Not Yet Effective (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the statements of financial position as well as additional disclosures. The implementation of this standard was delayed by FASB upon issuance of ASU 2020-05 in June 2020. This standard will be effective for the Foundation's fiscal year ending June 30, 2023.

The Foundation is currently assessing the impact of these pronouncements on the financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Current financial assets at year end:

Cash and cash equivalents	\$ 2,383,619
Grants receivable	<u>1,438,288</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,821,907</u>

Management regularly monitors liquidity to meet the School's operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. See Note 7 for the terms of the management agreement with CSUSA that can provide additional liquidity to the Foundation.

3. GRANTS RECEIVABLE

Receivables due from other governmental agencies at June 30, 2021, consists of \$557,665, representing amounts due from the Louisiana Department of Education for federal pass through grants under the Title I program, Title II program, Title XIV program, Title XXII program, ESSER Program, National School Lunch and Breakfast Program and IDEA program. An additional \$823,293 is due from the Louisiana Department of Education for Minimum Foundation Program revenues earned but not paid. The remaining \$57,330 is due from a Louisiana non-profit organization that serves Louisiana area schools.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2021:

Buildings and leasehold improvements	\$ 23,255,181
Furniture & fixtures	1,005,892
Equipment and software	<u>1,542,175</u>
Total cost	\$ 25,803,248
Less: Accumulated depreciation	<u>(8,635,057)</u>
Total Property and equipment	<u>\$ 17,168,191</u>

Depreciation and amortization expense for the year ending June 30, 2021, was \$1,030,380.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

5. FUNDS HELD IN CUSTODY

Collections from student activities are funds under the supervision of the Foundation; however, these funds belong to the schools or their student bodies and are not available for use in operations.

6. CONCENTRATION OF SUPPORT

The Foundation received 91% of its support from MFP funding and 8% of its support from federal grants passed through the Louisiana Department of Education during the year ending June 30, 2021. The loss or significant reduction of state and federal funding could have a material adverse effect on the Foundation's operations.

7. COMMITMENTS

The Foundation has a formal agreement with Charter Schools USA, Inc. (CSUSA) to manage, staff, and operate the School. The agreement states that CSUSA shall be entitled to a management fee and cost reimbursements for its services. The management fee is 15% of revenues which shall be set forth within the approved annual budget or a lesser percentage if, as otherwise agreed to, by CSUSA. During the fiscal year, CSUSA retroactively reduced the management fee based on the cash flow needs of the schools under the terms of the management agreement which is to offset future management fee charges. The management agreement also allows for CSUSA to make operating advances to the Foundation in the event there are insufficient funds in the operating account to pay operating expenses.

Addendums to the management agreements between the Foundation and CSUSA were signed on May 31, 2016. The addendums allow CSUSA to recoup previously reduced management fees in future years, provided the school budgets can reasonably accommodate recoupment of all or a portion of the accumulated difference between the initial budgeted fees and the actual fees paid. Iberville's management fees were reduced by \$526,591 and South Baton Rouge's management fees were reduced by \$188,772 for the year ended June 30, 2021.

At June 30, 2021, the Foundation owed CSUSA \$897,345 related to operation and trade payables. This amount is reflected as amounts due to CSUSA in the statement of financial position.

For the year ended June 30, 2021, the amount of compensation paid to CSUSA totaled \$1,252,143 for operating the school as well as the aftercare program. These amounts are included in contracted and vendor services on the statement of functional expenses.

8. CAPITAL LEASE

The Foundation has entered into a 20-year capital lease agreement for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Effective July 1, 2017, there was a lease incentive provided to the schools which resulted in a reassessment of the lease agreement. The result of the reassessment is an updated interest rate for the lease at the date of reassessment on the basis of the remaining lease term and remaining payments.

For Iberville Charter, interest on the original lease was 9.779% and changed to 8.284%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on November 1, 2021. The lease agreement expires on June 1, 2034.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASE (continued)

South Baton Rouge Charter Academy Interest on the original lease was 9.845% and changed to 8.687%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on April 1, 2021. The lease agreement expires on June 1, 2034.

Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of these leases. Accrued interest payable related to these capital leases in the amount of \$191,589 was outstanding at June 30, 2021.

The future minimum lease payments under these obligations as of June, 30, 2021, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 2,735,700
2023	2,776,740
2024	2,818,380
2025	2,860,668
2026	2,903,568
Thereafter	<u>24,851,878</u>
Total Minimum Lease Payments	38,946,934
Less: Amounts Representing Interest	<u>(15,847,727)</u>
Present Value of Minimum Lease Payments	23,099,207
Less: Current Portion	<u>(681,943)</u>
Capital Lease Payable - Long Term	<u><u>\$ 22,417,264</u></u>

The Foundation capitalizes interest cost as a component of the capital lease. Total interest expense included in the statement of activities at June 30, 2021 was \$2,191,411 which included a reduction for capitalized interest of \$613,877.

9. NOTES PAYABLE

On June 1, 2021, South Louisiana Charter Foundation, Inc., doing business as The Iberville Charter Academy and South Baton Rouge Charter Academy entered into separate promissory notes with Charter Schools USA, Inc. totaling \$530,000 and \$580,000, respectively. The notes are unsecured and bear interest at 3% per annum and mature on September 1, 2022 at which time the entire principal and accrued interest become due.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

10. FEDERAL GRANTS

The Foundation received federal assistance from the following programs for the year ended June 30, 2021, which were all passed through the Louisiana Department of Education.

US Department of Education	
Title I	\$ 418,680
Title II	10,400
Elementary and Secondary School Emergency Relief Fund	223,690
Striving Leaders Comprehensive Literacy	10,006
IDEA and Preschool Grants	<u>96,840</u>
	<u>759,616</u>
US Department of Agriculture	
National School Lunch and Breakfast Program	<u>524,986</u>
Total	<u><u>\$ 1,284,602</u></u>

11. RETIREMENT PLAN

The Foundation has a qualified Internal Revenue Code Section 401(k) retirement plan (the Plan). The Plan covers all employees who have completed at least two months of service and are at least 21 years old. The Foundation is obligated to match up to 25% of an employee's deferred amount, up to 6% of their pay. The Foundation contributed \$14,622 to this Plan during the year ended June 30, 2021.

12. CONTINGENT LIABILITIES

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2021.

The continuation of the Foundation is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contracts with the Board of Elementary and Secondary Education and East Baton Rouge Parish School Board. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contracts, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total 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 contracts. The contracts shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2022, the date that the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been considered for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	<u>South Baton</u> <u>Rouge</u>	<u>Iberville</u>	<u>Eliminating</u> <u>Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash	\$ 885,002	\$ 1,498,617	\$ -	\$ 2,383,619
Cash - restricted	2,440	18,880	-	21,320
Grants receivable	972,027	466,261	-	1,438,288
Prepaid expenses and other	12,846	11,576	-	24,422
Total current assets	<u>1,872,315</u>	<u>1,995,334</u>	<u>-</u>	<u>3,867,649</u>
<u>PROPERTY AND EQUIPMENT (NET):</u>	<u>9,080,209</u>	<u>8,087,982</u>	<u>-</u>	<u>17,168,191</u>
<u>NON-CURRENT ASSETS:</u>				
Utility deposit	13,295	15,000	-	28,295
Other assets	34,495	-	-	34,495
Total non-current assets	<u>47,790</u>	<u>15,000</u>	<u>-</u>	<u>62,790</u>
Total assets	<u>\$ 11,000,314</u>	<u>\$ 10,098,316</u>	<u>\$ -</u>	<u>\$ 21,098,630</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ 188,146	\$ 306,010	\$ -	\$ 494,156
Accrued payroll and related expenses	483,196	164,107	-	647,303
Due to CSUSA	688,832	208,513	-	897,345
Accrued interest payable	96,728	94,861	-	191,589
Capital lease payable - short term portion	454,441	227,502	-	681,943
Other liabilities	-	9,524	-	9,524
Funds held in custody	2,440	18,880	-	21,320
Total current liabilities	<u>1,913,783</u>	<u>1,029,397</u>	<u>-</u>	<u>2,943,180</u>
<u>LONG TERM LIABILITIES:</u>				
Notes payable	580,000	530,000	-	1,110,000
Capital lease payable	12,907,848	9,509,416	-	22,417,264
Total long-term liabilities	<u>13,487,848</u>	<u>10,039,416</u>	<u>-</u>	<u>23,527,264</u>
<u>NET DEFICIT:</u>				
Without donor restriction	<u>(4,401,317)</u>	<u>(970,497)</u>	<u>-</u>	<u>(5,371,814)</u>
Total liabilities and net deficit	<u>\$ 11,000,314</u>	<u>\$ 10,098,316</u>	<u>\$ -</u>	<u>\$ 21,098,630</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Revenue, Grants and Other Support				
Minimum Foundation Program (MFP)	\$ 8,579,781	\$ 6,993,778	\$ -	\$ 15,573,559
Federal grants	640,605	643,997	-	1,284,602
State Grants	170,977	-	-	170,977
Paid meals	386	4,217	-	4,603
Before and aftercare fees	12,165	-	-	12,165
E-rate revenues	28,255	35,210	-	63,465
Interest income	353	445	-	798
Total revenues, grants, and other support without donor restrictions	<u>9,432,522</u>	<u>7,677,647</u>	<u>-</u>	<u>17,110,169</u>
Expenses:				
Program services:				
Regular education	6,135,582	4,161,303	-	10,296,885
Special education	1,010,184	934,154	-	1,944,338
Other education	217,509	19,964	-	237,473
Total program services	<u>7,363,275</u>	<u>5,115,421</u>	<u>-</u>	<u>12,478,696</u>
Supporting services:				
Management and general	<u>2,395,709</u>	<u>1,767,754</u>	<u>-</u>	<u>4,163,463</u>
Total expenses	<u>9,758,984</u>	<u>6,883,175</u>	<u>-</u>	<u>16,642,159</u>
Change in net assets	(326,462)	794,472	-	468,010
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(4,074,855)</u>	<u>(1,764,969)</u>	<u>-</u>	<u>(5,839,824)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (4,401,317)</u>	<u>\$ (970,497)</u>	<u>\$ -</u>	<u>\$ (5,371,814)</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SOUTH BATON ROUGE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 2,604,000	\$ 503,289	\$ 166,908	\$ 227,526	\$ 3,501,723
Benefits	479,359	76,959	32,681	52,438	641,437
Professional Services	712	79	-	23,185	23,976
Contracted/Vendor Services	460,344	144,549	-	679,798	1,284,691
Professional Development	32,118	3,574	-	-	35,692
Supplies/Materials	286,239	31,854	-	18,926	337,019
Utilities	147,246	16,386	-	5,431	169,063
Repairs and Maintenance	271,748	5,491	-	1,820	279,059
Insurance	62,455	6,951	-	2,360	71,766
Rent	22,951	2,581	-	776	26,308
Interest	-	-	-	1,276,260	1,276,260
Depreciation and amortization	655,440	72,940	-	24,172	752,552
School Board Fees	156,539	17,420	-	-	173,959
Travel	1,613	179	-	944	2,736
Marketing/Recruitment	99,820	11,108	-	3,592	114,520
Food Service	242,284	23,891	17,920	2,588	286,683
Technology	45,672	5,083	-	26,811	77,566
Office expense	11,272	26,001	-	37,537	74,810
Student Services	431,427	48,011	-	-	479,438
Property Tax	124,343	13,838	-	4,586	142,767
Other	-	-	-	6,959	6,959
	\$ 6,135,582	\$ 1,010,184	\$ 217,509	\$ 2,395,709	\$ 9,758,984

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
IBERVILLE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 1,005,457	\$ 250,917	\$ 7,176	\$ 171,308	\$ 1,434,858
Benefits	152,223	36,023	1,163	43,357	232,766
Professional Services	160	18	-	17,740	17,918
Contracted/Vendor Services	1,494,327	489,796	-	579,350	2,563,473
Professional Development	123,733	13,769	-	-	137,502
Supplies/Materials	152,702	19,173	-	9,475	181,350
Utilities	156,007	17,361	-	5,755	179,123
Repairs and Maintenance	193,355	5,378	-	1,782	200,515
Insurance	39,860	4,436	-	1,497	45,793
Rent	17,590	1,978	-	594	20,162
Interest	-	-	-	915,151	915,151
Depreciation and amortization	241,976	26,928	-	8,924	277,828
School Board Fees	15,722	1,750	-	-	17,472
Travel	882	98	-	531	1,511
Marketing/Recruitment	86,164	9,589	-	3,090	98,843
Food Service	129,432	14,404	11,625	3,086	158,547
Technology	4,649	518	-	2,782	7,949
Office expense	6,749	4,146	-	264	11,159
Student Services	257,152	28,617	-	-	285,769
Property Tax	83,163	9,255	-	3,068	95,486
Other	-	-	-	-	-
	<u>\$ 4,161,303</u>	<u>\$ 934,154</u>	<u>\$ 19,964</u>	<u>\$ 1,767,754</u>	<u>\$ 6,883,175</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION TO FUND BALANCE RECONCILIATION
JUNE 30, 2021

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Combined</u>
Total net deficit reported on the combining statement of financial position	\$ (4,401,317)	\$ (970,497)	\$ (5,371,814)
Capital assets are not reported for fund balance	<u>(9,080,209)</u>	<u>(8,087,982)</u>	<u>(17,168,191)</u>
Long-term liabilities applicable to the Foundation's governmental fund activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term are in the combining statement of financial position			
Accrued interest payable - short term portion	96,728	94,861	191,589
Capital lease payable - short term portion	454,441	227,502	681,943
Capital lease payable - long term portion	12,907,848	9,509,416	22,417,264
Notes payable - long term	580,000	530,000	1,110,000
Compensated absences (included in accrued payroll)	45,324	16,501	61,825
	<u>14,084,341</u>	<u>10,378,280</u>	<u>24,462,621</u>
Total Fund Balance at June 30, 2021	<u>\$ 602,815</u>	<u>\$ 1,319,801</u>	<u>\$ 1,922,616</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
CHANGES IN THE COMBINING STATEMENT OF ACTIVITIES AND CHANGES
IN NET ASSETS TO CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 2021

	South Baton Rouge	Iberville	Combined
Changes in net assets reported on the combining statement of activities and changes in net assets	\$ (326,462)	\$ 794,472	\$ 468,010
Amounts reported for the financial statements in the combining statement of activities are different due to the following:			
Fund balance reports capital outlays as expenditures.			
However, in the combining statement of activities and changes in net assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay and other expenditures capitalized	(159,049)	(109,295)	(268,344)
Depreciation and amortization expense for year ended June 30, 2021	752,552	277,828	1,030,380
The issuance of long-term debt provides current financial resources to fund balance.			
In the statement of activities and changes in net assets however, issuing debt increases long-term liabilities and does not affect the statement of activities.			
Principal payments on debt and capital lease	(81,573)	-	(81,573)
Proceeds from note payable	580,000	530,000	1,110,000
Change in accrued interest payable	2,855	(25,409)	(22,554)
Expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in fund balance.			
Change in compensated absences liability	(904)	(6,701)	(7,605)
Change in Fund Balance	\$ 767,419	\$ 1,460,895	\$ 2,228,314

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO BOARD PRESIDENT
FOR THE YEAR ENDED JUNE 30, 2021

Board President, John Pierre

Purpose	Amount
None	\$ -
	<u>\$ -</u>

See independent auditors' report.

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

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, statement of 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 February 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 the 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 Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulation, 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 Foundation’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 Foundation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 11, 2022

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

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the South Louisiana Charter Foundation Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2021. The Foundation's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; 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 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 the 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 of the Foundation's compliance.

Opinion on Major Federal Program

In our opinion, the 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 the 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 the 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

The Foundation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 11, 2022

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures 2021</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 18/19	10.555 ¹	\$ 362,402
National School Breakfast Program	LDE - 18/19	10.553 ¹	<u>162,584</u>
Total US Department of Agriculture			<u><u>524,986</u></u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-19-T1-L4	84.010A	418,680
IDEA	28-20-B1-ED	84.027 ²	96,840
Title II	28-21-50-ED	84.367	10,400
Striving Leaders Comprehensive Literacy	28-18-SRO6-ED	84.371	10,006
COVID-19 Governor's Emergency Education Relief Fund	28-20-GERF-ED	84.425C	21,250
COVID-19 Strong Start ESSERF Formula	28-20-ESR1-ED	84.425D	201,120
COVID-19 Strong Start ESSERF Incentive	28-20-ESRF-ED	84.425D	<u>1,320</u>
			<u>223,690</u>
Total US Department of Education			<u><u>759,616</u></u>
Total Federal Expenditures			<u><u>\$ 1,284,602</u></u>

¹ Child Nutrition Cluster - \$524,986

² Special Education Cluster -\$96,840

None of the above listed federal awards were passed through to subgrantees.

See accompanying notes to the schedule of expenditures of federal awards.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DE MINIMUS COST RATE

During the year ended June 30, 2021, the Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? _____ yes X no

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
<i>Child Nutrition Cluster:</i> 10.553	School Breakfast Program
10.555	National School Lunch Program

The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.

The Foundation was determined to be a low-risk auditee.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021-001) Preparation of Schedule of Expenditures and Federal Awards

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
<i>Child Nutrition Cluster:</i>	
10.553	School Breakfast Program
10.555	National School Lunch Program

Questioned Costs: N/A

Criteria: The Uniform Guidance Subpart F section 200.510 requires the preparation of the Schedule of Expenditures of Federal Awards (SEFA) that includes an accurate reporting of federal awards expended based on the terms and conditions of the grants. In order for the SEFA to be prepared accurately and properly report the amounts expended for federal awards, a system of controls should be in existence that includes the timely preparation and review of the amounts reported on the SEFA.

Universe/
Population Size: None

Sample size: None

Condition: The initial SEFA prepared by the Foundation’s personnel did not reconcile the federal expenditures reported on the SEFA to the federal revenue received by granting agency.

Effect: The SEFA provided to us did not contain the correct amounts of federal expenditures which is the basis used to determine the major federal programs to be audited in a fiscal year. Inaccurate reporting may result in improper auditing of the wrong federal programs in any given year and non-compliance with federal regulations.

Cause: The Foundation receives multiple sources of revenues, including both federal and state, which fund the costs of the of the charter schools. During the year the Foundation underwent a system conversion which created difficulty in classification of program revenue.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

2021-001) Preparation of Schedule of Expenditures and Federal Awards (continued)

Recommendation: The Foundation should strengthen its controls including its review and approval processes over the information and balances that is accumulated and reported on the SEFA to make sure the expenditures reported are an accurate representation of federal costs.

View of Responsible Official:

Management is in the process of transitioning its accounting and financial systems to a modern cloud-based software system. As a result of this transition, the reporting structure of the new system did not capture this critical information. While we continue to optimize the new system, we have instituted manual checks and balances to ensure that the information provided in the forthcoming year is accurate.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Board Members of the
South Louisiana Charter Foundation,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of the South Louisiana Charter Foundation for the fiscal year ended June 30, 2021; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of the South Louisiana Charter Foundation is responsible for its performance and statistical data.

The South Louisiana Charter Foundation has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Note: The report and the related schedules do not include South Baton Rouge Charter Academy, which is a Type 1 charter approved by and reported with the East Baton Rouge Parish School Board.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among 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

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

Of the 10 classes selected for Iberville Charter Academy, we noted the following discrepancies in 3 classes between the roll book counts and the number reported in Schedule 2

Number of Students Reported	Roll Book Counts	Difference
23	14	9
14	12	2
32	30	2

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

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

For 15 out of the 25 individuals selected, the years of experience was not properly classified on the PEP data.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

For 14 out of the 25 individuals selected, the salary submitted in the PEP data file to the LDOE did not agree to supporting documentation in the employee's personnel file.

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

We are required to be independent of the South Louisiana Charter Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 11, 2022

South Louisiana Charter Foundation

BATON ROUGE, LOUISIANA

Schedules Required by State Law (R.S. 24:514 - Performance Measurement 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 (Formerly Schedule 6) 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.

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana

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

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,059,060	
Other Instructional Staff Activities	68,142	
Instructional Staff Employee Benefits	143,623	
Purchased Professional and Technical Services	2,582,070	
Instructional Materials and Supplies	94,672	
Instructional Equipment	131,492	
Total Teacher and Student Interaction Activities		4,079,059

Other Instructional Activities 1,919,729

Pupil Support Activities	52,377	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		52,377

Instructional Staff Services	307,518	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		307,518

School Administration	374,065	
Less: Equipment for School Administration	-	
Net School Administration		374,065

Total General Fund Instructional Expenditures (Total of Column B) 6,732,748

Total General Fund Equipment Expenditures \$ 131,492

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes		
Renewable Ad Valorem Tax		
Debt Service Ad Valorem Tax		
Penalty and Interest on Ad Valorem Tax		
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		
Sales and Use Taxes		
Sales and Use Tax Penalty and Interest		
Total Local Taxation Revenue		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax		
Revenue Sharing - Other Taxes		
Revenue Sharing - Excess Portion		
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		-

Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue	\$	-

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana
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	80.00%	129	12.00%	19	7.00%	11	1.00%	1
Elementary Activity Classes	86.00%	98	8.00%	9	6.00%	7	0.00%	-
Middle/Jr. High	88.00%	69	6.00%	5	6.00%	5	0.00%	-
Middle/Jr. High Activity Classes	83.00%	45	11.00%	6	6.00%	3	0.00%	-
High	0.00%	-	0.00%	-	0.00%	-	0.00%	-
High Activity Classes	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Combination	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Combination Activity Classes	0.00%	-	0.00%	-	0.00%	-	0.00%	-

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 for grades K-3 is 26 students and the maximum enrollment for grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.



South Louisiana Charter FOUNDATION, INC.

Board of Trustees

President

John Pierre

Vice President

Edmond Jordan

Secretary/Treasurer

Achilles Williams

Trustees

Melissa Sybrandt

Johanna Posada-Kyles

Lidia Conine

Corrective Action Plan for the Audit Finding for the year ended June 30, 2021

Submitted to:

Postlethwaite & Netterville, APAC
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

The South Louisiana Charter Foundation Inc. respectfully submits the following corrective action plan for the year ended June 30, 2021.

Response to Finding:

2021-001) Preparation of Schedule of Expenditures and Federal Awards

Management is in the process of transitioning its accounting and financial systems to a modern cloud-based software system. As a result of this transition, the reporting structure of the new system did not capture this critical information. While we continue to optimize the new system, we have instituted manual checks and balances to ensure that the information provided in the forthcoming year is accurate.

Myrna Laine-Hyppolite
Myrna Lainé-Hyppolite

2/4/2022

Date



South Louisiana Charter FOUNDATION, INC.

Board of Trustees

Responses to Differences Notated in BESE AUPs

President

John Pierre

Class Size Characteristics (Schedule 2)

Vice President

Edmond Jordan

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

Secretary/Treasurer

Achilles Williams

Of the 10 classes selected for Iberville Charter Academy, we noted the following discrepancies in 3 classes between the roll book counts and the number reported in Schedule 2

Trustees

Melissa Sybrandt

Johanna Posada-Kyles

Lidia Conine

Number of Students Reported	Roll Book Counts	Difference
23	14	9
14	12	2
32	30	2

Response: Management will continue to work with school leadership and school staff to strengthen the accuracy between the roll book count and the number of students report to BESE. Additional discussions with our staff will stress the importance of maintaining and reporting accurate school data and additional training will be provided when needed.

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

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

For 15 out of the 25 individuals selected, the years of experience was not properly classified on the PEP data.

Response: Management will continue to work with school leadership and school staff to strengthen the accuracy between the documented years of experience and the number of years of experience reported to BESE. Additional discussions with our staff will stress the importance of maintaining and reporting accurate school data and additional training will be provided when needed.



South Louisiana Charter FOUNDATION, INC.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

For 14 out of the 25 individuals selected, the salary submitted in the PEP data file to the LDOE did not agree to supporting documentation in the employee's personnel file.

Response: Management will continue to work with school leadership and school staff to strengthen the accuracy between the documented employee compensation and the compensation reported to BESE. Additional discussions with our staff will stress the importance of maintaining and reporting accurate school data and additional training will be provided when needed.

Signature: Mark W. Gamble

Title: State Financial Director