
DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
Discovery Health Sciences Foundation, Inc.
Kenner, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Discovery Health Sciences Foundation, Inc. (a nonprofit organization) (the Organization) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of Discovery Health Sciences Foundation, Inc. as of June 30, 2021, 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 Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and schedule of compensation, benefits, and other payments to agency head are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.



Metairie, Louisiana
October 22, 2021

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 6,849,532
Grants and contributions receivable	2,700,862
Prepaid expenses	193,714
	<hr/>
Total current assets	9,744,108

NONCURRENT ASSETS

Property and equipment, net	40,394,934
Cash and cash equivalents restricted for construction and debt service	4,156,382
Deposits	107,805
Deferred compensation investments	266,422
	<hr/>
Total noncurrent assets	44,925,543

Total assets	<u>\$ 54,669,651</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 717,795
Accrued salaries and benefits	855,424
Obligations under capital leases - current portion	219,083
Bonds payable, net - current portion	515,000
Student activity liability	78,477
	<hr/>
Total current liabilities	2,385,779

NONCURRENT LIABILITIES

Obligations under capital leases - noncurrent portion	519,952
Bonds payable, net - noncurrent portion	42,194,937
Deferred compensation liability	266,422
	<hr/>
Total noncurrent liabilities	42,981,311

Total liabilities	<u>45,367,090</u>
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NET ASSETS

Without donor restrictions	8,535,308
With donor restrictions	767,253
	<hr/>
Total net assets	9,302,561

Total liabilities and net assets	<u>\$ 54,669,651</u>
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The accompanying notes are an integral part of this consolidated financial statement.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Per pupil support (Minimum Foundation Program)	\$ 25,841,321	\$ -	\$ 25,841,321
Federal grants	3,719,817	-	3,719,817
Tuition	33,575	-	33,575
Fundraising revenue	41,132	-	41,132
Contributions and donations	1,461,905	762,451	2,224,356
Income from meals	-	-	-
Student activities and fees	413,736	-	413,736
Rental income	2,500	-	2,500
Interest income	6,066	-	6,066
Miscellaneous revenue	23,860	-	23,860
Net assets released from restrictions	35,963	(35,963)	-
	<u>31,579,875</u>	<u>726,488</u>	<u>32,306,363</u>
Total revenues and other support			
	<u>31,579,875</u>	<u>726,488</u>	<u>32,306,363</u>
Expenses:			
Program Services	16,656,077	-	16,656,077
Total program services	<u>16,656,077</u>	<u>-</u>	<u>16,656,077</u>
Support services:			
Management and general	10,482,444	-	10,482,444
Fundraising	1,355,093	-	1,355,093
Total support services	<u>11,837,537</u>	<u>-</u>	<u>11,837,537</u>
Total expenses	<u>28,493,614</u>	<u>-</u>	<u>28,493,614</u>
Change in net assets	3,086,261	726,488	3,812,749
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>5,449,047</u>	<u>40,765</u>	<u>5,489,812</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 8,535,308</u>	<u>\$ 767,253</u>	<u>\$ 9,302,561</u>

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Support</u>			<u>Total</u>
	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	
Advertising and recruiting	\$ -	\$ 49,952	\$ -	\$ 49,952
Athletics	48,604	-	-	48,604
Audit and accounting services	-	40,800	-	40,800
Benefits	2,112,404	497,533	158,238	2,768,175
Cleaning services	103,585	663,273	-	766,858
Communications	-	22,513	57,306	79,819
Debt service and miscellaneous	-	168,663	-	168,663
Depreciation	2,090,536	-	-	2,090,536
Dues and fees	12,390	58,230	-	70,620
Food service management	-	386,333	-	386,333
Insurance	-	330,005	-	330,005
Interest	-	2,511,546	-	2,511,546
Legal services	-	174,952	-	174,952
Materials and supplies	778,673	285,107	38,322	1,102,102
Minimum Foundation Program fees	449,144	-	-	449,144
Other miscellaneous	76,275	247,272	-	323,547
Other professional services	-	3,000	-	3,000
Printing and binding	-	3,001	-	3,001
Purchased professionals and technical services	305,753	220,818	278,999	805,570
Rentals	118,854	293,257	-	412,111
Repairs and maintenance services	-	145,939	-	145,939
Salaries and benefits	9,999,600	3,089,949	756,683	13,846,232
Technology	139,565	5,895	65,060	210,520
Textbooks	361,406	-	-	361,406
Transportation	-	965,704	-	965,704
Travel	23,663	16,655	485	40,803
Tuition	35,625	-	-	35,625
Utilities	-	302,047	-	302,047
Total expenses	\$ 16,656,077	\$ 10,482,444	\$ 1,355,093	\$ 28,493,614

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,812,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	2,090,536
Amortization expense	56,200
Contributions of art and equipment	(929,675)
Changes in operating assets and liabilities	
Grants and contributions receivable	(1,858,591)
Prepaid expenses	10,982
Deposits	(30,976)
Accounts payable and accrued expenses	561,718
Accrued salaries and benefits	134,849
Student activity liability	11,885
	3,859,677
Net cash provided by operating activities	3,859,677

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(4,799,454)
	(4,799,454)
Net cash used in investing activities	(4,799,454)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on bonds payable	(125,000)
Payment of capital lease obligation	(284,185)
	(409,185)
Net cash used in financing activities	(409,185)

Net decrease in cash and cash equivalents	(1,348,962)
Cash and cash equivalents, beginning of year	12,354,876
	12,354,876
Cash and cash equivalents, end of year	\$ 11,005,914

RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION:

Cash	\$ 6,849,532
Cash and cash equivalents restricted for construction and debt service	4,156,382
	4,156,382
Total cash and cash and cash equivalents restricted for construction and debt service	\$ 11,005,914

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest	\$ 2,511,546
	2,511,546
Noncash investing transaction:	
Change in accounts and retainage payable related to property and equipment	\$ 3,647,040
	3,647,040

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Discovery Health Sciences Foundation, Inc. (Discovery), a nonprofit corporation organized on a non-stock basis, was incorporated in September 2011 for the purpose of operating charter schools located in Jefferson Parish, Louisiana which provide student instruction and activities. Discovery was created to provide a rigorous learning environment where students achieve academically, develop intellectual curiosity, and practice environmental responsibility while exploring health and science topics and careers. Discovery began operations in August 2013. Discovery's charter schools are a component unit of the Jefferson Parish Public School System (JPPSS).

In June 2012, the JPPSS authorized Discovery to operate a Type 1 Charter School, Kenner Discovery Health Sciences Academy (KDHSA). The initial five-year charter expired June 2018. In December 2017, the JPPSS renewed the charter for an additional ten years, expiring June 2028.

In March 2019, the JPPSS authorized Discovery to operate a second charter school, DJOD, effective July 1, 2020. During August 2019, Discovery's Board approved a memorandum of understanding to operate the charter school in partnership with Ochsner Health System.

Friends of Discovery Health Sciences Foundation, Inc. (Friends), a nonprofit corporation organized on a non-stock basis, was incorporated in February 2017 as a supporting organization for the benefit of Discovery.

Within Discovery, Discovery Hub operates as the central back office support organization for the schools.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of Discovery and Friends (collectively, the Organization). Discovery has controlling financial interest through direct ownership of a majority voting interest in Friends and has an economic interest in Friends.

The accompanying consolidating statements of financial position and activities present Dr. John Ochsner Discovery Health Sciences Academy (DJOD) and Discovery Hub. Management considers DJOD and Discovery Hub as distinct reporting units; however, they are not separate legal entities.

All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting and Presentation of Net Assets

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation of Net Assets (continued)

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 Organization. These net assets may be used at the discretion of the Organization's management and 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 Organization 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 an increase 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 consolidated statement of activities.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with original maturities of three months or less, which are neither held for or restricted by donors for long term purposes, to be cash equivalents.

Cash and cash equivalents consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash and cash equivalents balances consist of amounts received from proceeds from a bond issuance which stated the specific use of the proceeds was for construction and debt service.

Grants and Contributions Receivable

Receivables, consisting of grants and contributions, are stated at the amount management expects to collect from outstanding balances. The Organization determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collection. Receivables are written off when deemed uncollectable. As of June 30, 2021, the Organization did not deem any receivables to be uncollectable, therefore, no allowance was recorded.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is capitalized at cost and updated for additions and retirements during the year. Donated property and equipment are recorded at fair market value as of the date received. The Organization capitalizes property and equipment with values over \$5,000 per item. Land and construction-in-progress are not considered depreciable assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Machinery and equipment – 3-5 years

Building – 30 years

Leasehold improvements – 5-7 years

Software – the life span of the license or 3 years, whichever is shorter

Portable facilities (classrooms) – the lease term or 7 years, whichever is shorter

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Revenue and Revenue Recognition

Revenues from federal and state grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met the performance requirements and/or incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization recognized as revenue all funds related to these grants during the year ended June 30, 2021.

The Organization recognizes non-federal and state grants and contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Revenue from other sources, including student activities and fees, tuition, and income from meals are recorded and recognized as revenue in the period in which the Organization provides the service at the amount that reflects the consideration to which the Organization expects to be entitled for providing the services or goods.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service, which is deemed to be the school year, which is simultaneous with the fiscal year. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to student activities and fees and tuition. The Organization measures the performance obligations throughout the school year. Revenue for performance obligations satisfied at a point in time, which include mainly income from meals and are generally immaterial, are recognized when services are provided. The Organization determines the transaction price based on standard charges for goods or services provided to students, which are predetermined by management. Fees are generally nonrefundable, and total refunds issued annually are considered negligible.

Contributed Services

The value of contributed services is recorded at fair value, as revenues and support and expenses in the period received, provided there is an objective basis for measurement of the value of such services and they are significant, require specialized skills and form an integral part of the Organization's efforts. The Organization did not recognize donated services during the year ended June 30, 2021.

In addition, the Organization receives services donated by parents and community members in carrying out the Organization's mission. The value of these services is not recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition under U.S. GAAP.

Income Taxes

Discovery and Friends are not-for-profit corporations organized under the laws of the State of Louisiana. They are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code), and qualify as organizations that are not private foundations as defined in Section 509(a) of the Code.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocated to various programs and functions, if an expenditure benefits more than one program or function. The expenses that are allocated are allocated among the programs and supporting services benefitted, using appropriate methodologies such as time and effort.

Compensated Absences

Employees of the Organization receive between ten and twelve days of paid time off (PTO) (a combination of vacation time, sick time, and holiday time) according to their classification. Unused PTO balances, up to ten days, are carried over into the following year with a maximum of twenty days carried at any one time per employee.

Student Activity Liability

Student activity liability represents deposits made for various student activity programs. The Organization considers all student activity funds and unexpended income from these funds to be funds held in custody.

Deferred Compensation Investments

A deferred compensation investment account is sponsored by the Organization in order to maintain a 457(b) Deferred Compensation Plan for its Chief Executive Officer. The Organization contributes the maximum allowed to the plan, as required by the Chief Executive Officer's contract.

Recently Adopted Accounting Standard

As of July 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, using the modified retrospective method of adoption. The Organization elected to use the transition option that allows an organization to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment (if any) to the opening balance of net assets in the year of adoption. Comparable periods continue to be presented under the guidance of the previous standard. Topic 842 requires lessees to recognize a lease liability and right-of-use asset on the balance sheet for operating leases. For lessors, the new accounting model remains largely the same, although some changes have been made to align it with the new lessee model and the new revenue recognition guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Organization's adoption of Topic 842 did not result in any adjustments to net assets or changes in the timing or amounts of lease costs.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Issued but Not Yet in Effect

On September 17, 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending June 31, 2022.

2. Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days utilizing the financial resources the Organization has available. In addition, the Organization operates with a budget to monitor sources and uses of funds throughout the year.

The following presents the Organization's financial assets available to meet general expenditures, that is without donor or other restrictions limiting their use, within one year at June 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 11,005,914
Grants and contributions receivable	2,700,862
Deposits	107,805
Deferred compensation investments	<u>266,422</u>
Total financial assets	14,081,003
Less amounts not available to be used within one year for general expenditures:	
Deposits	107,805
Deferred compensation investments	266,422
Cash and cash equivalents restricted for construction and debt service	<u>4,156,382</u>
Financial assets available for general expenditures within one year	<u>\$ 9,550,394</u>

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Property and Equipment

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

Building and improvements	\$ 43,404,356
Machinery, equipment, and art	3,212,850
	<u>46,617,206</u>
Less accumulated depreciation	(6,222,272)
Property and equipment, net	<u>\$ 40,394,934</u>

Notes 5 and 10 describe assets acquired under finance and operating leases, respectively, and the amounts representing right of use assets that have been included in property and equipment if applicable.

4. Bonds Payable

In November 2018, Friends entered into a Loan Agreement with the Jefferson Parish Economic Development Commission (JEDCO) in connection with the issuance of tax-exempt revenue bonds (Series 2018A) and taxable revenue bonds (Series 2018B) for the Kenner Discovery Health Sciences Academy Project. The proceeds of the bonds will be used for (i) financing the acquisition, construction, improvement, and equipment, (ii) funding a debt service reserve fund, (iii) funding capitalized interest during construction, (iv) refunding indebtedness incurred by Friends and Discovery, and (v) paying the costs of issuance of the Series 2018A and 2018B bonds. The Series 2018A bonds were issued at a discount of \$477,478 and issuance costs associated with the bonds were \$1,553,785.

Outstanding bonds consisted of the following at June 30, 2021:

Tax-exempt revenue bonds Series 2018A, include term bonds that are broken down into increments of \$6,390,000 that bears interest at 4.8%, \$13,100,000 that bears interest at 5.5%, and \$24,405,000 that bears interest at 5.625%.	\$ 43,845,000
Taxable revenue bonds Series 2018B bearing interest at 6.125%.	840,000
Unamortized discount on bonds	(477,271)
Unamortized issuance costs	<u>(1,497,792)</u>
	<u>\$ 42,709,937</u>

The Series 2018A bonds are subject to mandatory sinking fund redemption beginning June 15, 2021, and continuing through maturity on June 15, 2048. The Series 2018A bonds are subject to optional redemption beginning June 15, 2028, at a redemption price of 100% of the principal amount redeemed, plus accrued interest. The Series 2018 bonds are subject to mandatory sinking fund redemption beginning June 15, 2021 and continuing through maturity on June 15, 2024.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Bonds Payable (continued)

Amortization expense related to bond issuance costs incurred by Friends was \$55,993 for the year ended June 30, 2021. Amortization expense related to discount on bonds was \$207 for the year ended June 30, 2021.

Friends has granted a security interest in all of its presently existing and future accounts and revenues, as defined, as security for its obligation under the loan agreement.

The principal obligations on indebtedness will mature as follows for the years ending June 30:

	<u>Series 2018A</u>	<u>Series 2018B</u>
2022	\$ 250,000	\$ 265,000
2023	500,000	280,000
2024	525,000	295,000
2025	920,000	-
2026	965,000	-
Thereafter	40,685,000	-
	<u>\$ 43,845,000</u>	<u>\$ 840,000</u>

5. Finance Leases

Discovery leases modular buildings from Mobile Modular Management Corporation under a finance lease. Discovery also leases computer tablets from Dell under a finance lease. The economic substance of both leases is that Discovery is financing the acquisition of the assets through the leases; and, accordingly, both a right of use asset and lease liability are recorded in Discovery's assets and liabilities for these leases.

Friends leases modular buildings from Vanguard Modular Building Systems (Vanguard) under a finance lease. The economic substance of the lease is that Friends is financing the acquisition of the assets through the lease; and, accordingly, a right of use asset and lease liability are recorded in Friends' assets and liabilities.

The following is an analysis of the right of use assets included in property and equipment at June 30, 2021:

Buildings	\$ 2,038,512
Equipment	87,762
Less: Accumulated depreciation	<u>(1,359,726)</u>
	<u>\$ 766,548</u>

Amortization of assets held under finance leases is included with depreciation expense.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Finance Leases (continued)

The following is a schedule by years of future minimum payments required under the leases together with their present value as of June 30:

	<u>Amount</u>
2022	\$ 255,768
2023	255,768
2024	255,768
2025	<u>42,628</u>
Total Minimum Lease Payments	809,932
Less: Amount Representing Interest	<u>(70,897)</u>
Present Value of Minimum Lease Payments	<u>\$ 739,035</u>

6. Retirement Plans

Substantially all employees of the Organization are participants of an employer sponsored Safe Harbor 401(k) plan (the Plan). Covered employees may elect to contribute a portion of their salaries to the Plan. The Organization's matching contribution to the Plan is equal to 100% of the participant's contribution that does not exceed 3% of the participant's compensation, plus 50% of the participant's contribution that exceeds 3% of the participant's compensation, not to exceed 5% of the participant's compensation. The Organization made \$360,899 in contributions to the Plan during the year ended June 30, 2021.

The Organization also sponsors a 457(b) Deferred Compensation Plan (the 457(b) Plan) for its Chief Executive Officer. The Organization contributes the maximum allowed to the 457(b) Plan, as required by the Chief Executive Officer's contract. This contribution totaled \$19,500 during the year ended June 30, 2021. The 457(b) Plan's assets and liabilities reflected on the consolidated statement of financial position at June 30, 2021, totaled \$266,422.

7. Concentrations and Credit Risk

Discovery's primary source of funding is through the State Public School Fund from JPPSS and the Louisiana Department of Education (LDOE) based on eligible students in attendance on a monthly basis. Discovery received approximately 78% of its total revenue flow through funds from JPPSS for the year ended June 30, 2021.

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Commitments and Contingencies

The continuation of the Organization is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the JPPSS. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the Governor or by any means provided in the appropriations act to prevent the 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 contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agencies are to be used for educational purposes as described in the Organization's charter agreement and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

9. Net Assets with Donor Restrictions

As of June 30, 2021, net assets with donor restrictions included \$567,253 restricted by donors for specific programs, purposes, student activities, or to assist specific departments of Discovery and included \$200,000 in contributions that were purpose and time-restricted by donors.

10. Operating Leases

The Organization entered into an operating lease for the rental of a school building payable to the JPPSS in the amount of \$107 per student per year to compensate the lessor for the cost of providing property and casualty insurance on the leased premises. The lease was for five years that commenced on July 1, 2013 and ended on June 30, 2018. During June 2018, the lease was renewed for ten years commencing on July 1, 2018 and ending on June 30, 2028. Future minimum commitments under the operating lease agreements are estimated to be \$222,453 at June 30, 2021.

The Organization entered into two operating leases as part of cooperative endeavor agreements with the City of Kenner for use of the Kenner Rivertown Exhibition Hall and the Westgate Playground Tennis Court. Both leases are effective until terminated. Both leases are at no charge and, therefore, have no minimum lease payment obligation.

During March 2019, the Organization entered into an operating lease for the rental of another school building payable to the JPPSS in the amount of \$107 per student per year to compensate the lessor for the cost of providing property and casualty insurance on the leased premises. The lease was for two years that commenced on July 1, 2019 and ended on June 30, 2021.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Cooperative Endeavor Lease Agreement

The Organization entered into a cooperative endeavor lease agreement on November 23, 2016 at no charge to the Organization with the JPPSS in which the JPPSS leased to the Organization certain real property (land) for the purpose of constructing, developing, and operating on the land a public charter school facility, including infrastructure, parking, and other related facilities. The Organization has certain covenants regarding the construction and operations of the land on behalf of JPPSS. On May 12, 2017, Discovery sublet the land to Friends. The lease and sublease terms will run until October 31, 2115.

12. Related Parties

Friends and Discovery entered into a facilities lease agreement dated November 1, 2018 pursuant to the loan agreement and Series 2018 bonds discussed in Note 4. The leased facilities are currently under construction on the land which is sublet by Friends from Discovery to be used as school facilities. The lease calls for payments to Friends in monthly amounts sufficient for Friends to make timely payments of principal and interest on the Series 2018 Bonds. Lease payments began in August 2019 and run through June 2048.

Friends and Vanguard entered into a lease agreement dated September 2, 2017, wherein Vanguard agreed to lease to Friends certain modular buildings (the Buildings). The Buildings are installed on the land and are sublet by Friends to Discovery to be used as school facilities. The lease between Friends and Discovery for the Buildings is for a term of 99 years and calls for monthly rent sufficient to cover the debt service and lease payment by Friends. Rent expense incurred by Discovery and earned by Friends as part of the sublease totaled \$304,560 during the year ended June 30, 2021. Prepaid rent by Discovery and deferred revenue for Friends under this sublease agreement totaled \$154,508 as of June 30, 2021, and are included in due to/from related party on the consolidating statement of financial position.

Other amounts payable by Friends to Discovery totaled \$1,771,526 at June 30, 2021 and are included in Due to/from Related Party on the consolidating statement of financial position.

All intercompany activity has been eliminated on the consolidated financial statements.

13. Subsequent Events

In September 2021, the Organization formalized a lease agreement with Ochsner for the lease and use of property for the Dr. John Ochsner Discovery Health Sciences Academy campus.

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, October 22, 2021, and determined the above matter required additional disclosure in the consolidated financial statements. No events after this date have been evaluated for inclusion in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	ASSETS					
	Discovery Health Sciences Foundation, Inc.	Dr. John Ochsner Discovery*	Discovery Hub*	Friends of Discovery Health Sciences Foundation, Inc.	Eliminations	Total
CURRENT ASSETS						
Current assets						
Cash	\$ 4,105,883	\$ 1,829,598	\$ -	\$ 914,051	\$ -	\$ 6,849,532
Grants and contributions receivable	2,309,813	191,049	-	200,000	-	2,700,862
Due from related party	3,073,232	16,326	459,000	48,327	(3,596,885)	-
Prepaid expenses	193,714	-	-	-	-	193,714
Total current assets	<u>9,682,642</u>	<u>2,036,973</u>	<u>459,000</u>	<u>1,162,378</u>	<u>(3,596,885)</u>	<u>9,744,108</u>
NONCURRENT ASSETS						
Property and equipment, net	294,177	14,504	-	40,086,253	-	40,394,934
Cash and cash equivalents restricted for construction and debt service	-	-	-	4,156,382	-	4,156,382
Deposits	58,911	4,876	-	44,018	-	107,805
Deferred compensation	266,422	-	-	-	-	266,422
Total noncurrent assets	<u>619,510</u>	<u>19,380</u>	<u>-</u>	<u>44,286,653</u>	<u>-</u>	<u>44,925,543</u>
Total assets	<u>\$ 10,302,152</u>	<u>\$ 2,056,353</u>	<u>\$ 459,000</u>	<u>\$ 45,449,031</u>	<u>\$ (3,596,885)</u>	<u>\$ 54,669,651</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 645,088	\$ 70,382	\$ -	\$ 2,325	\$ -	\$ 717,795
Accrued salaries and benefits	855,424	-	-	-	-	855,424
Obligations under capital leases - current portion	-	-	-	219,083	-	219,083
Bonds payable, net - current portion	-	-	-	515,000	-	515,000
Student activity liability	78,477	-	-	-	-	78,477
Due to related party	16,326	1,604,167	50,358	1,926,034	(3,596,885)	-
Total current liabilities	<u>1,595,315</u>	<u>1,674,549</u>	<u>50,358</u>	<u>2,662,442</u>	<u>(3,596,885)</u>	<u>2,385,779</u>
NONCURRENT LIABILITIES						
Obligations under capital leases - noncurrent portion	-	-	-	519,952	-	519,952
Bonds payable, net - noncurrent portion	-	-	-	42,194,937	-	42,194,937
Deferred compensation liability	266,422	-	-	-	-	266,422
Total noncurrent liabilities	<u>266,422</u>	<u>-</u>	<u>-</u>	<u>42,714,889</u>	<u>-</u>	<u>42,981,311</u>
Total liabilities	<u>1,861,737</u>	<u>1,674,549</u>	<u>50,358</u>	<u>45,377,331</u>	<u>(3,596,885)</u>	<u>45,367,090</u>
NET ASSETS						
Without donor restrictions	8,273,163	381,804	408,642	(528,301)	-	8,535,308
With donor restrictions	167,253	-	-	600,000	-	767,253
Total net assets	<u>8,440,416</u>	<u>381,804</u>	<u>408,642</u>	<u>71,699</u>	<u>-</u>	<u>9,302,561</u>
Total liabilities and net assets	<u>\$ 10,302,153</u>	<u>\$ 2,056,353</u>	<u>\$ 459,000</u>	<u>\$ 45,449,030</u>	<u>\$ (3,596,885)</u>	<u>\$ 54,669,651</u>

*Not separate legal entities but tracked distinctly by management for internal reporting purposes.

See accompanying independent auditors' report.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Discovery Health Sciences Foundation, Inc.			Dr. John Oeshner		Friends of Discovery Health Sciences Foundation, Inc.			Eliminations		Consolidated	
	Without	With Donor	Total	Without	Without	Without	With Donor	Total	Without	Without	With Donor	Total
	Donor Restrictions	Restrictions		Donor Restrictions	Donor Restrictions	Donor Restrictions	Restrictions		Donor Restrictions	Donor Restrictions	Donor Restrictions	
Revenues and support:												
Per pupil support (Minimum Foundation Program)	\$ 21,763,952	\$ -	\$ 21,763,952	\$ 4,077,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,841,321	\$ -	\$ 25,841,321
Federal grants	3,405,462	-	3,405,462	314,355	-	-	-	-	-	3,719,817	-	3,719,817
Tuition	33,575	-	33,575	-	-	-	-	-	-	33,575	-	33,575
Fundraising revenue	14,594	-	14,594	276	-	26,262	-	26,262	-	41,132	-	41,132
Contributions and donations	1,925	162,451	164,376	150	-	1,459,830	600,000	2,059,830	-	1,461,905	762,451	2,224,356
Income from meals	-	-	-	-	-	-	-	-	-	-	-	-
Student activities and fees	361,891	-	361,891	51,845	-	-	-	-	-	413,736	-	413,736
Rental income	-	-	-	-	-	3,224,983	-	3,224,983	(3,222,483)	2,500	-	2,500
Interest income	1,360	-	1,360	4,172	-	534	-	534	-	6,066	-	6,066
Miscellaneous revenue	-	-	-	-	2,760,000	23,860	-	23,860	(2,760,000)	23,860	-	23,860
Net assets released from restrictions	35,963	(35,963)	-	-	-	-	-	-	-	35,963	(35,963)	-
Total revenues and other support	25,618,722	126,488	25,745,210	4,448,167	2,760,000	4,735,469	600,000	5,335,469	(5,982,483)	31,579,875	726,488	32,306,363
Expenses:												
Program Services:	12,926,190	-	12,926,190	1,971,247	-	1,758,640	-	1,758,640	-	16,656,077	-	16,656,077
Total program services	12,926,190	-	12,926,190	1,971,247	-	1,758,640	-	1,758,640	-	16,656,077	-	16,656,077
Support services:												
Management and general	10,536,309	-	10,536,309	2,010,038	1,250,573	2,668,007	-	2,668,007	(5,982,483)	10,482,444	-	10,482,444
Fundraising	130,312	-	130,312	85,078	1,100,785	38,918	-	38,918	-	1,355,093	-	1,355,093
Total support services	10,666,621	-	10,666,621	2,095,116	2,351,358	2,706,925	-	2,706,925	(5,982,483)	11,837,537	-	11,837,537
Total expenses	23,592,811	-	23,592,811	4,066,363	2,351,358	4,465,565	-	4,465,565	(5,982,483)	28,493,614	-	28,493,614
Change in net assets	2,025,911	126,488	2,152,399	381,804	408,642	269,904	600,000	869,904	-	3,086,261	726,488	3,812,749
NET ASSETS AT BEGINNING OF YEAR	6,247,252	40,765	6,288,017	-	-	(798,205)	-	(798,205)	-	5,449,047	40,765	5,489,812
NET ASSETS AT END OF YEAR	\$ 8,273,163	\$ 167,253	\$ 8,440,416	\$ 381,804	\$ 408,642	\$ (528,301)	\$ 600,000	\$ 71,699	\$ -	\$ 8,535,308	\$ 767,253	\$ 9,302,561

*Not separate legal entities but tracked distinctly by management for internal reporting purposes.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2021

Agency Head Name: Dr. Patty Glaser, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 226,551
Benefits - insurance (FICA, Medicare, Health, Life, Disability)	25,331
Benefits - retirement	8,802
Benefits - deferred compensation	19,500
Benefits - other	1,701
Car allowance	12,000
Cell phone	1,059
	<u>\$ 294,944</u>

See accompanying 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
Discovery Health Sciences Foundation, Inc.
Kenner, 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 consolidated financial statements of Discovery Health Sciences Foundation, Inc. (the Organization) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

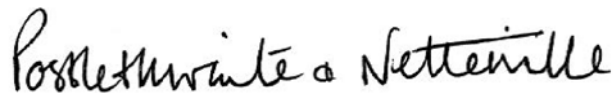
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.



Metairie, Louisiana
October 22, 2021

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Discovery Health Sciences Foundation, Inc.
Kenner, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Discovery Health Sciences Foundation, Inc.’s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2021. The Organization’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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’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 the Organization’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 its major federal program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Major Federal Program

In our opinion, the Organization 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.

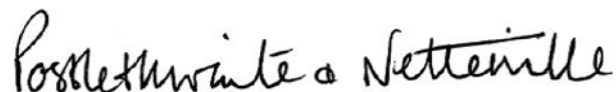
Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Organization'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 a 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 internal control over compliance that might be material weaknesses or significant deficiencies. 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.



Metairie, Louisiana
October 22, 2021

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>United States Department Agriculture</u>			
Passed through the Louisiana Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	Unknown	\$ 148,374
National School Lunch Program	10.555	Unknown	408,454
Total Child Nutrition Cluster			<u>556,828</u>
Total United States Department of Agriculture			<u>556,828</u>
<u>United States Department of Education</u>			
Passed through the Jefferson Parish Public School System:			
Title I Grants to Local Education Agencies (LEAs)	84.010	S010A170018	284,854
Special Education - Grants to States (IDEA, Part B) ¹	84.027	H027A170033	455,433
Education Stabilization Fund- COVID-19			
CARES- GEERF	84.425C	Unknown	66,249
CARES- ESSERF I	84.425D	Unknown	729,859
CARES- ESSERF II	84.425D	Unknown	196,267
ARP- ESSERF III	84.425D	Unknown	1,430,327
Total Education Stabilization Fund			<u>2,422,702</u>
Total Jefferson Parish Public School System			3,162,989
Total United States Department of Education			<u>3,162,989</u>
Total Expenditures of Federal Awards			<u>\$ 3,719,817</u>

¹ Special Education Cluster

See accompanying independent auditors' report.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Discovery and is presented on the accrual basis of accounting. 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. The Organization's reporting entity is defined in Note 1 to the consolidated financial statements for the year ended June 30, 2021.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's financial statements for the year ended June 30, 2021. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Financial Statements

Federal revenues of \$3,719,817 are included in Revenues and Support on the Consolidated Statement of Activities. This agrees to the total amount reported on the schedule.

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports.

5. De Minimis Cost Rate

During the year ended June 30, 2021, Discovery did not include any expenditures related to indirect cost rate calculations and did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

(1) Summary of Independent Auditors' Results

Financial Statements

The type of report issued on the financial statements: Unmodified opinion

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? No

Federal Awards

Internal controls over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified opinion

Any audit findings which are required to be reported under the Uniform Guidance? No

Identification of major program:

Program Name	Federal CFDA#
Education Stabilization Fund	84.425C, 84.425D

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee under Section 530 of the Uniform Guidance: Yes

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

- (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Not Applicable.

- (3) Findings and Questioned Costs relating to Federal Awards:

Not Applicable.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

2020-001 Advance of Public Funds

Recommendation:

We recommend that payments be made in accordance with agreed-upon terms and submitted when goods or services are transferred. We further recommend that the organization obtain a Louisiana Attorney General opinion on matters pertaining to the advance of these funds.

Status:

An opinion from the Louisiana Attorney General further clarifying the appropriateness of all transactions in accordance with applicable state law was obtained in December 2020. The matter is considered resolved.

2020-002 Advance of Public Funds and Public Bid Law

Recommendation:

We recommend that management follow Public Bid Law, when applicable. We recommend that the organization obtain a Louisiana Attorney General opinion on matters pertaining to the advance of these funds and the organization's applicability and adherence to the above referenced statutes.

Status:

An opinion from the Louisiana Attorney General further clarifying the appropriateness of all transactions in accordance with applicable state law was obtained in December 2020. The matter is considered resolved.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

KENNER, LOUISIANA

PERFORMANCE AND STATISTICAL DATA

FOR THE YEAR ENDED JUNE 30, 2021

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

KENNER, LOUISIANA

PERFORMANCE AND STATISTICAL DATA

FOR THE YEAR ENDED JUNE 30, 2021

Independent Accountants' Report
On Applying Agreed-Upon Procedures

To the Board of Directors of Discovery Health Sciences Foundation, Inc., the Louisiana Department of Education, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of Discovery Health Sciences Foundation, Inc. (Discovery) for the fiscal year ended June 30, 2021. Management of Discovery is responsible for its performance and statistical data.

Discovery has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose, to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. BESE has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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 for each of the following amounts reported on Schedule 1:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue (no revenue reported),
 - Total Local Earnings on Investment in Real Property (no revenue reported),
 - Total State Revenue in Lieu of Taxes (no revenue reported),
 - Nonpublic Textbook Revenue (no revenue reported), and
 - Nonpublic Transportation Revenue (no revenue reported).

We noted no exceptions.

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, 2020 roll books and observed that the class was properly classified on the schedule.

We noted no exceptions.

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

3. We obtained October 1, 2020 PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/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.

We noted five exceptions where an individual's education level or years of experience was not classified correctly on the PEP data when compared to the individual's personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30, 2021 PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the 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).

We noted no exceptions.

We were engaged by Discovery 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. 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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Discovery, 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.



This report is intended solely for the information and use of Discovery and BESE and is not intended to be and should not be used by anyone other than those specified parties.

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2021

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
KENNER, LOUISIANA

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.

Schedule 1: Discovery Health Sciences Foundation, Inc.
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	\$ 8,053,900	
Other Instructional Staff Activities	1,945,701	
Instructional Staff Employee Benefits	2,092,893	
Purchased Professional and Technical Services	318,360	
Instructional Materials and Supplies	1,295,148	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	13,706,002

Other Instructional Activities		475,194
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14,181,196

Pupil Support Activities	1,032,206	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	-	1,032,206

Instructional Staff Services	625,925	
Less: Equipment for instructional staff services	-	
Net Instructional Staff Services	-	625,925

School Administration	1,887,971	
Less: Equipment for School Administration	-	
Net School Administration	-	1,887,971

Total General Fund Instructional Expenditures		\$ 17,727,298
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Total General Fund Equipment Expenditures		\$ -
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Certain Local Revenue Sources

Not Applicable

Prepared by Discovery Health Sciences Foundation, Inc.

**Schedule 2: 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	99%	189	1%	1	0%	-	0%	-
Elementary Activity Classes	98%	54	2%	1	0%	-	0%	-
Middle/Junior High	0%	-	0%	-	0%	-	0%	-
Middle/Junior High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	95%	1,124	1%	13	3%	34	1%	11
Combination Activity Classes	94%	163	1%	2	4%	6	1%	2

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.

Prepared by Discovery Health Sciences Foundation, Inc.