

THIRD FUTURE SCHOOLS - LOUISIANA

Annual Financial Statements

June 30, 2024



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Independent Auditor's Report

To the Board of Directors
Third Future Schools - Louisiana
Baton Rouge, Louisiana

Opinion

We have audited the financial statements of Third Future Schools - Louisiana (the Organization), which comprise the statement of financial position as of June 30, 2024, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 (U.S. GAAP).

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As discussed in Note 9, the Organization incurred a negative change in net assets of \$757,841 for the year ended June 30, 2024 which raises substantial doubt about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. Our opinion is not modified with respect to that matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of governing board, the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), the statement of financial position, and the statement of activities and changes in net assets 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 March 7, 2025 on our consideration of the Organization's internal control over financial reporting and 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Baton Rouge, LA
March 7, 2025

THIRD FUTURE SCHOOLS - LOUISIANA
Statement of Financial Position
June 30, 2024

Assets	
Current Assets	
Pooled Cash Held by Affiliate	\$ 202,666
Grants Receivable	5,507
Due from Affiliate	<u>9,103</u>
Total Current Assets	<u>217,276</u>
Fixed Assets	
Building Improvements, Net of Accumulated Depreciation	12,512
Right-of-Use Assets, Net of Accumulated Amortization	<u>62,565</u>
Total Fixed Assets, Net	<u>75,077</u>
Total Assets	<u><u>\$ 292,353</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 591,964
Accrued Liabilities	218,642
Due to Affiliate	170,692
Current Portion of Lease Liabilities	<u>31,058</u>
Total Current Liabilities	<u>1,012,356</u>
Long-Term Liabilities	
Lease Liabilities, Less Current Portion	<u>37,838</u>
Total Liabilities	1,050,194
Net Deficit	
Without Donor Restrictions	(757,841)
With Donor Restrictions	<u>-</u>
Total Net Deficit	<u>(757,841)</u>
Total Liabilities and Net Deficit	<u><u>\$ 292,353</u></u>

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

THIRD FUTURE SCHOOLS - LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
State Public School Funding	\$ 3,734,751	\$ -	\$ 3,734,751
Other Grants and Contributions	1,838,755	-	1,838,755
Federal Grants	406,751	-	406,751
	<hr/>		
Total Revenue, Grants, and Other Support	5,980,257	-	5,980,257
	<hr/>		
Expenses			
Program Services			
Education Programs	5,163,963	-	5,163,963
Supporting Services			
Management and General	1,571,160	-	1,571,160
	<hr/>		
Total Expenses	6,735,123	-	6,735,123
	<hr/>		
Change in Net Deficit	(754,866)	-	(754,866)
	<hr/>		
Net Deficit, Beginning of Year	(2,975)	-	(2,975)
	<hr/>		
Net Deficit, End of Year	\$ (757,841)	\$ -	\$ (757,841)
	<hr/> <hr/>		

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

THIRD FUTURE SCHOOLS - LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Supporting Services	
	Education Programs	Management and General	Total
Salaries	\$ 3,127,948	\$ 893,207	\$ 4,021,155
Occupancy	515,880	-	515,880
Network Support	-	417,417	417,417
Food Service	397,242	-	397,242
Employee Benefits	338,992	46,065	385,057
Payroll Taxes	233,882	44,362	278,244
Food Service	266,584	-	266,584
Purchased Services	178,295	32,443	210,738
Rental	97,072	-	97,072
Other Expenses	-	91,552	91,552
Office Supplies	-	46,114	46,114
Travel	6,505	-	6,505
Depreciation	1,263	-	1,263
Athletics	300	-	300
Total	\$ 5,163,963	\$ 1,571,160	\$ 6,735,123

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

THIRD FUTURE SCHOOLS - LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows from Operating Activities	
Change in Net Deficit	\$ (754,866)
Adjustments to Reconcile Change in Net Deficit to Net Cash Used in Operating Activities	
Depreciation	1,263
(Increase) Decrease in:	
Pooled Cash Held by Affiliate	(202,666)
Grants Receivable	(5,507)
Due from Affiliate	(9,103)
Right-of-Use Assets	(62,565)
Increase (Decrease) in:	
Accounts Payable	591,964
Accrued Liabilities	218,642
Due to Affiliate	167,717
Lease Liabilities	68,896
	<u>768,641</u>
Total Adjustments	<u>768,641</u>
Net Cash Provided by Operating Activities	<u>13,775</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(13,775)</u>
Net Cash Used in Investing Activities	<u>(13,775)</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>

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

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Third Future Schools - Louisiana was incorporated on May 31, 2023 as a nonprofit organization. The Organization operates an elementary school in Baton Rouge, Louisiana under a partnership agreement with the Recovery School District. The agreement commenced on July 1, 2023 and terminates on June 30, 2026.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. The Organization is required to record unconditional promises to give (pledges) as receivables and revenues, and to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are resources available to support operations.

Net Assets With Donor Restrictions - Net assets that are resources that are restricted by the donor for use for a particular purpose or in a particular future period. When the donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions.

In addition, the Organization is required to present a statement of cash flows.

Basis of Accounting

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

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents

Investments

In accordance with the *Not-for-Profit Entities* Topic 820 of the FASB ASC, the Organization's investments in marketable securities with readily determinable fair values, and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest. Dividend and interest income are accrued when earned.

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues and Support

State Public School Funding

The Organization's primary source of funding is through the State Public School Fund. For the year ended June 30, 2024, the Organization received \$3,734,751 from the state based on eligible students in attendance paid on a monthly basis.

Federal and State Grants

State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses occur.

Other Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions.

Contracts vs. Contributions

The Organization utilizes the guidance in Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. 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 Organization 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 obligation throughout the Organization year. Revenue for performance obligations satisfied at a point in time, which includes mainly income from meals and is generally immaterial, is 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.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Organization.

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation (Continued)

Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the assets. The following are the estimated useful lives of the fixed assets of the Organization:

Improvements	4 - 15 Years
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Leases

The Organization accounts for leases under FASB ASC 842, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the balance sheet. The ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments over that term. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets.

Income Taxes

The Organization is recognized by the Internal Revenue Service (IRS) as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Functional Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are recorded to program and function by direct identification.

Use of Estimates

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

Concentrations

The Organization received 62% of its revenues for the year ended June 30, 2024 from the State of Louisiana, subject to its charter school contract with the state.

Compensated Absences

The Board of Directors of the Organization grants all contracted employees of the Organization a total of 9 days of sick/personal pay per year, provided, however, that the employee is contracted for a full year. Contracted employees may carry over five days of unused sick/personal days from year to year.

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted

As of July 1, 2023, the Organization adopted ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Organization's contract receivables. Under this ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. This is in contrast to previous U.S. GAAP, under which credit losses were not recognized until it was probable that a loss had been incurred. The Organization performed its expected credit loss calculation based on historical contract receivable write-offs, including consideration of then-existing economic conditions and expected future conditions. The implementation of ASC 326 did not result in a significant impact to the financial statements.

Liquidity and Availability

The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 45 - 60 days of program expenditures. It regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition, the Organization operates with a budget to monitor sources and uses of funds throughout the year.

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

Pooled Cash Held by Affiliate	\$	202,666
Grants Receivable		5,507
Due from Affiliate		9,103
Total	\$	217,276

Note 2. Fixed Assets

Depreciation expense for the year ended June 30, 2024 was \$1,263.

All assets acquired with Louisiana Department of Education funds are owned by the Organization while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Assets purchased with private funds remain the property of the Organization.

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 3. Accrued Liabilities

As of June 30, 2024, the Organization had recorded accrued liabilities of \$218,642. This amount represents teachers' accrued salaries and benefits.

Note 4. Restriction on Assets

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of the Organization. These restrictions are considered to expire when payments for restricted purposes are made. At June 30, 2024, the Organization had no net assets with donor restrictions.

Note 5. Leases

Operating Lease

The Organization leases copiers under an operating lease agreement with an original term of 3 years. Operating lease cost during the year ended June 30, 2024 was approximately \$46,000. The lease matures on August 4, 2026. The discount rate assigned to the lease at June 30, 2024 is 4.00%.

Right-of-use assets under the lease at June 30, 2024 are as follows:

	Asset Amount	Accumulated Amortization	Net Value
Office Equipment	\$ 93,847	\$ (31,282)	\$ 62,565

Changes in lease liabilities for the year ended June 30, 2024 are as follows:

July 1, 2023	Additions/ Changes	Retirements/ Payments	June 30, 2024	Due Within One Year
\$ -	\$ 93,847	\$ (24,951)	\$ 68,896	\$ 31,058

Future lease payments at June 30, 2024 are as follows:

Year Ending December 31,	Principal	Interest
2025	\$ 31,058	\$ 2,191
2026	32,324	925
2027	5,514	28
Total	\$ 68,896	\$ 3,144

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 6. Management Contract and Related Parties

The Organization is affiliated with Third Future Schools and Third Future Schools - Texas. The Organization has entered into a management contract with Third Future Schools to provide network support to the Organization. During the year ended June 30, 2024, the Organization incurred \$417,417 in network support expenses under this contract. Also, during the year ended June 30, 2024, Third Future Schools made contributions to the Organization in the amount of \$1,763,755.

At June 30, 2024, the Organization had pooled cash held by Third Future Schools in the amount of \$202,666. At June 30, 2024, \$9,103 was due the Organization from Third Future Schools and \$170,692 was owed by the Organization to Third Future Schools - Texas.

Note 7. Retirement Plan

The Organization offers a 403(b) plan to employees who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the IRS. The Organization made employer contributions to the plan for the year ended June 30, 2024, amounted to \$4,134.

Note 8. Uncertain Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in general administration expenses.

Note 9. Going Concern Indicators and Management Plans

The Organization began operations of its school in the year ended June 30, 2024. The Organization incurred a negative change in net deficit of \$754,866 and a deficit in net assets of \$757,841. The management of the Organization plans to alleviate the deficit in future years as enrollment increases. Enrollment for the 2023 - 2024 school year was 340. The Organization has experienced increased enrollment for the 2024 - 2025 school year with enrollment of over 400 at February 1, 2025.

THIRD FUTURE SCHOOLS - LOUISIANA

Notes to Financial Statements

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 7 2025, and determined that the following event requires disclosure.

The Organization was granted a Type 3 Charter to operate a school in Caddo Parish for the 2024-2025 school year.

No subsequent events occurring after March 7, 2025 have been evaluated for inclusion in the financial statements.

SUPPLEMENTARY INFORMATION

THIRD FUTURE SCHOOLS - LOUISIANA
Schedule of Governing Board
For the Year Ended June 30, 2024

Board Member	Compensation
Michael Williams Secretary/Treasurer	\$0
Kara Maggorie Board Member	\$0
Baraynia Robillard <i>Board Member</i>	\$0
Nelsene Peters Director	\$0
<i>Ashley Bennett</i> Director	\$0

See independent auditor's report.

THIRD FUTURE SCHOOLS - LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2024

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statements of local governmental and quasi-public auditees. In 2015, Act 482 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that non-governmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
 Zach Craddock, Superintendent

Purpose	Amount
Salary	
Benefits - Insurance	
Benefits - Disability Insurance	
Benefits - Retirement	
Benefits - Medicare	
Benefits - Parking Permit, NSU	
Stipends	
Vehicle Provided by Government	
Per Diem	
Reimbursements	
Travel	
Registration Fees	
Conference Travel	
Continuing Professional Education Fees	
Housing	
Unvouchered Expenses	
Special Meals	

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
Third Future Schools - Louisiana
Baton Rouge, Louisiana

We have audited, 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, the financial statements of Third Future Schools - Louisiana (the Organization), which comprise the statement of financial position as of June 30, 2024, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did identify a certain deficiency that we consider to be a material weakness which is described in the accompanying schedule of findings and responses as item 2024-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2024-002 and 2024-003.

Response to Finding

Third Future Schools - Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, LA
March 7, 2025

THIRD FUTURE SCHOOLS - LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Part I. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters: | |
| a) Material weaknesses identified? | Yes |
| b) Significant deficiencies identified? | No |
| c) Noncompliance material to the financial statements noted? | Yes |

Federal Awards

Not applicable.

Part II. Findings Related to the Financial Statements

2024-001 Material Adjusting Journal Entries

Criteria: A material weakness in internal control over financial reporting is present due to a material amount of state public school support that were improperly recognized during the year ended June 30, 2024.

Condition: During our audit for the year ended June 30, 2024, we identified \$455,590 in state public school support that was improperly recognized due to an error.

Cause: Oversight by accounting department.

Effect: Material weakness in internal control.

Recommendation: We recommend that the Organization review accounting for state public school support for accuracy on a monthly basis.

Management's Response: Management will review accounting for state public school support on a monthly basis to ensure accurate recognition of revenues.

THIRD FUTURE SCHOOLS - LOUISIANA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2024

2024-002 Late Submission of Audit Report to the Legislative Auditor

- Criteria:* Revised Statute 24:513A(5)(a)(i) requires that annual audits should be completed within six months of the close of the entity's fiscal year.
- Condition:* The Organization's annual financial statements were submitted to the Legislative Auditor in March 2025 which was later than the six-month requirement.
- Cause:* The late filing was due to turnover in the Organization's finance department.
- Effect:* Noncompliance with state law.
- Recommendation:* The Organization should ensure that future annual financial statements are submitted within the six-month period.
- Management's Response:* The Organization will submit its future annual financial statements within the six-month period required by state law.

2024-003 Mandatory Ethics Training

- Criteria:* Louisiana Revised Statutes 42:1170 requires that each employee/official complete a one hour ethics training during the calendar year.
- Condition:* During our performance of statewide agreed-upon procedures we selected 5 employees/officials for testing of the training requirement during 2024. None of the employees/officials selected for tested had taken the ethics training in 2024.
- Cause:* Unknown
- Effect:* Noncompliance with state law.
- Recommendation:* We recommend that the Organization ensure that all employees and officials obtain the required annual ethics training in future years.
- Management's Response:* Management will ensure that all employees and officials will obtain the 1 hour ethics training.

THIRD FUTURE SCHOOLS - LOUISIANA
Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

None.

**THIRD FUTURE SCHOOLS - LOUISIANA
BATON ROUGE, LOUISIANA**

Agreed-Upon Procedures
R.S. 24:514 - Performance and Statistical Data

June 30, 2024



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Third Future Schools - Louisiana
New Orleans, Louisiana

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of Third Future Schools - Louisiana (the Organization) for the year ended June 30, 2024 and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute (R.S.) 24:514.1. The Organization's management is responsible for its performance and statistical data.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor (LLA) 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 the 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 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

Results: No differences were 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 1st roll books for those classes and observed that the class was properly classified on the schedule.

Results: We noted one (1) difference in class sizes reported.

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.

Results: We noted three (3) differences in education level and we noted three (3) differences in experience.

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).

Results: We noted three (3) differences in salaries reported.

* * * * *

We were engaged by the Organization 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Baton Rouge, LA
March 7, 2025

THIRD FUTURE SCHOOLS - LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2024

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

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

Schedule 2 - Class Size Characteristics

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

**THIRD FUTURE SCHOOLS - LOUISIANA
BATON ROUGE, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2024**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities			
Classroom Teacher Salaries	\$	2,705,925	
Other Instructional Staff Salaries		40,604	
Instructional Staff Employee Benefits		530,919	
Purchased Professional and Technical Services		164,130	
Instructional Materials and Supplies		87,676	
Instructional Equipment		37,667	
			<hr/>
Total Teacher and Student Interaction Activities	\$		3,566,921
Other Instructional Activities			11,383
Pupil Support Services		153,638	
Less: Equipment for Pupil Support Services		-	
			<hr/>
Net Pupil Support Services			153,638
Instructional Staff Services		24,294	
Less: Equipment for Instructional Staff Services		-	
			<hr/>
Net Instructional Staff Services			24,294
School Administration		997,705	
Less: Equipment for School Administration		-	
			<hr/>
Net School Administration			997,705
			<hr/>
Total General Fund Instructional Expenditures	\$		4,753,941
			<hr/>
Total General Fund Equipment Expenditures	\$		37,667
			<hr/>

Certain Local Revenue Sources

Local Taxation Revenue			
Constitutional Ad Valorem Taxes	\$	-	
Renewable Ad Valorem Tax		-	
Debt Service Ad Valorem Tax		-	
Up to 1% of Collections by the Sheriff on Taxes		-	
Other than School Taxes		-	
Sales and Use Taxes		-	
			<hr/>
Total Local Taxation Revenue	\$		-
			<hr/>
Local Earnings on Investment in Real Property			
Earnings from 16 th Section Property	\$	-	
Earnings from Other Real Property		-	
			<hr/>
Total Local Earnings on Investment in Real Property	\$		-
			<hr/>
State Revenue in Lieu of Taxes			
Revenue Sharing - Constitutional Tax	\$	-	
Revenue Sharing - Other Taxes		-	
Revenue Sharing - Excess Portion		-	
Other Revenue in Lieu of Taxes		-	
			<hr/>
Total State Revenue in Lieu of Taxes	\$		-
			<hr/>
Nonpublic Textbook Revenue	\$	-	
Nonpublic Transportation Revenue	\$	-	
			<hr/>

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

**THIRD FUTURE SCHOOLS - LOUISIANA
 BATON ROUGE, LOUISIANA
 Class Size Characteristics
 October 1, 2023**

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	84%	90	16%	17	0%	0	0%	0
Elementary Activity	79%	11	21%	3	0%	0	0%	0

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

AGREED-UPON PROCEDURES REPORT

Third Future Schools - Louisiana

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2023 - June 30, 2024

To the Board of Directors
Third Future Schools - Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2023 through June 30, 2024. Third Future Schools - Louisiana's (the Organization) management is responsible for those C/C areas identified in the SAUPs.

Third Future Schools - Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

- iii. **Disbursements**, including processing, reviewing, and approving.
- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Management determined that procedures #1Ax., Debt Service, and #1Axi., Prevention of Sexual Harassment, were not applicable. We noted that the written policies and procedures for procedure #1Aii did not contain (1) and (2). We noted that the written policies and procedures for procedure #1Av did not contain (1) and (2). We noted that the written policies and procedures for #1Avi did not contain (2), (3), and (5). We noted that the written policies and procedures for #1Avii did not contain (2) and (4). We noted that the written policies and procedures for 1Aix did not contain (1), (2), (3) and (4).

2) **Board or Finance Committee**

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: Management determined that procedures #2Aii. and #2Aiii. were not applicable. We noted no exceptions in the performance of these procedures.

3) **Bank Reconciliations**

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management/or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We noted that the Organization had only one bank account. Exceptions were noted for procedures #3Ai and #3Aii. We noted no exception related to remaining procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, are not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for "Bank Reconciliations" procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

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

Results: Management determined that these procedures were not applicable as all of the Organization's revenues were wired into the Organization's bank account.

5) *Non-Payroll Disbursements (excluding card purchases/ travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and supporting documentation indicates that deliverables included on the invoice were received by the entity; and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: We noted three of five electronic non-payroll disbursements were not approved by persons authorized to disburse funds. No other exceptions were noted in the performance of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: We noted that the credit card statement was not reviewed and approved. We were unable to perform procedure 6C as the Organization no longer the credit card documentation was maintained electronically and the Organization no longer has access to those documents.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted no exceptions in the performance of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of performing these procedures.

9) *Payroll and Personnel*

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll-related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of performing these procedures.

10) *Ethics*

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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

Results: We noted that none of the selected employees/officials had completed the one hour of ethics training. We noted no further exceptions in the performance of these procedures.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Management has determined these procedures were not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted no exceptions as a result of performing these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: Management determined that procedures #13C was not applicable. We completed the remaining procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

Results: Management has determined that these procedures were not applicable.

We were engaged by Third Future Schools - Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Baton Rouge, LA
March 7, 2025



Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: SAUP Agreed-Upon Procedures

The management of Third Future Schools - Louisiana wishes to provide the following responses relative to the results of the 2024 statewide agreed-upon procedures engagement:

- 1) The Organization will amend its policies and procedures to include the missing elements.
- 2) In regards to the bank reconciliation procedures, management will institute a review process with written approval of bank reconciliations and will ensure that reconciliations are performed timely.
- 3) In regards to the non-payroll disbursements procedures. management will institute procedures for review of electronic non-payroll disbursements by authorized check signors.
- 4) In regards to the credit cards procedures, management will institute review procedures for credit card statements. Management will ensure that all credit card documentation is maintained in the future.
- 5) In regards to the ethic procedures, management will ensure that all employees/officials complete the 1 hour ethics training.

Sincerely,

A handwritten signature in black ink, appearing to read "Z Craddock", is written above a horizontal line.

Zach Craddock
Superintendent