

INSPIRE CHARTER ACADEMY, INC.



Financial Statements, Additional Information as
of and for the Year Ended June 30, 2023,
Federal Awards Supplementary Information as of
and for the Year Ended June 30, 2023 and
Independent Auditor's Reports

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INSPIRE CHARTER ACADEMY, INC.

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Independent Auditor's Report

To the Board of Directors
Inspire Charter Academy, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Inspire Charter Academy, Inc. (the "Academy"), which comprise the statement of financial position as of and for the year ended June 30, 2023 and the related statements of activities and change in net assets 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 Academy as of June 30, 2023 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.

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 Academy and to meet our 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 Academy's ability to continue as a going concern within one year after the date that the financial statements are issued or 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.

To the Board of Directors
Inspire Charter Academy, Inc.

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 Academy'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 Academy'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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Inspire Charter Academy, Inc.'s financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), is presented for the purpose of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and the schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 schedule of expenditures of federal awards and the schedule of compensation, benefits and other payments to agency head or chief executive officer are 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 December 13, 2023 on our consideration of Inspire Charter Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inspire Charter Academy, Inc.'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 Inspire Charter Academy, Inc.'s internal control over financial reporting and compliance.



December 13, 2023

INSPIRE CHARTER ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION YEAR ENDED JUNE 30, 2023

ASSETS

CURRENT ASSETS:

Cash	\$	80,751
Due from governmental revenue sources		<u>1,250,151</u>

TOTAL	\$	<u><u>1,330,902</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	8,365
Contracted service fee payable		<u>1,256,301</u>

Total liabilities		<u>1,264,666</u>
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NET ASSETS - Net Assets without Donor Restriction		<u>66,236</u>
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TOTAL	\$	<u><u>1,330,902</u></u>
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See notes to financial statements.

INSPIRE CHARTER ACADEMY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEAR ENDED JUNE 30, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES, GAINS AND OTHER SUPPORT:

State aid	\$	7,930,145
Federal sources		860,455
Private sources		74,833
Local sources		7,413
Contribution of nonfinancial assets		<u>475,090</u>

Total revenues 9,347,936

EXPENSES:

Contracted service fee		9,297,936
Expenses of the Board of Directors		<u>80,124</u>

Total expenses 9,378,060

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION (30,124)

NET ASSETS:

Beginning of year 96,360

End of year \$ 66,236

See notes to financial statements.

INSPIRE CHARTER ACADEMY, INC.

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

State aid	\$	7,669,373
Federal sources		773,300
Private sources		74,833
Payments for services rendered		<u>(8,538,163)</u>
Net cash used in operating activities		<u>(20,657)</u>
NET DECREASE IN CASH		(20,657)
CASH - Beginning of Year		<u>101,408</u>
CASH - End of Year	\$	<u><u>80,751</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION TO CASH USED IN OPERATING ACTIVITIES:

Change in net assets without donor restriction	\$	(30,124)
Adjustments to reconcile change in net assets without donor restriction to net cash provided by operating activities:		
Change in accounts payable		6,172
Change in due from governmental revenue sources		(356,782)
Change in deferred revenue		1,442
Change in contracted service fee payable		<u>358,635</u>
NET CASH USED IN OPERATING ACTIVITIES	\$	<u><u>(20,657)</u></u>

NON-CASH ACTIVITIES:

Contribution of nonfinancial assets	\$	<u><u>475,090</u></u>
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See notes to financial statements.

INSPIRE CHARTER ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

1. NATURE OF OPERATIONS

Inspire Charter Academy, Inc. (the “Academy”) was incorporated on June 16, 2009 as a non-profit corporation under the laws of the State of Louisiana and began operations on July 1, 2010 as a public charter school as defined by the Charter School Demonstration Programs Law, LA. R.S. 17:3971 *et seq.* The Academy provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates under a charter approved by the East Baton Rouge Parish School Board, which is responsible for oversight of the Academy’s operations. The charter expires June 30, 2024. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy has applied to the Internal Revenue Service for recognition of its exemption from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The Academy’s primary source of revenue is provided by the State of Louisiana through its Minimum Foundation Program and consists of an amount per student multiplied by weighted average student counts. The state revenue, which passes through the East Baton Rouge Parish School Board, is recognized ratably over the school year and is funded through payments from July 2022 through June 2023.

The Board of Directors of the Academy has entered into a services agreement (the “agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. Revenues – Contribution of nonfinancial assets represents a contribution granted by NHA for the excess of the Academy’s expenditures over revenue available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements of the Academy are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash as of June 30, 2023 represents bank deposits which are covered by federal depository insurance.

Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restriction* — Net assets, which are not subject to donor, imposed or governmental stipulations. Net assets in this category may be expended for any purpose in performing the primary objectives of the Academy. All net assets as of June 30, 2023 are considered to be without donor restriction.
- *Net Assets with Donor Restriction* — Net assets subject to stipulations imposed by donors and grantors. As of June 30, 2023, no net assets are considered to be with donor restrictions.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restriction. Other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. For the year ended June 30, 2023, all revenue sources were without donor restriction.
- Revenue is recognized over the period earned, regardless of the timing of related cash flows. Grants are recognized as revenue as eligibility requirements are met, the related expenses are incurred, or services performed, in accordance with terms of the respective grant or contract agreement.

Income Taxes — The Academy operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

Contribution of Nonfinancial Assets – Included as revenue, gains, and other support in the Statement of Activities are contributions of nonfinancial assets also known as gifts in-kind. Contributed professional services are recognized if the services received a) create or enhance non-financial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These services are recognized as program revenue and expense and are valued at the estimated fair market value for the services as provided by the donor.

3. DUE FROM GOVERNMENTAL SOURCES

Receivables as of June 30, 2023 for the Academy included \$611,181 in state aid receivable, \$631,557 in federal grants receivable, and \$7,413 in other receivables. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

4. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2023, and claims did not exceed coverage less retained risk deductible amounts in past fiscal year.

5. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. LIQUIDITY

The Academy has \$1,330,902 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$80,751 and amounts due from governmental revenue sources of \$1,250,151 at June 30, 2023. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Academy has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,563,011 at June 30, 2023.

While the Academy does not currently carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required make contributions to the Academy if the Academy's expenditures exceed the Academy's revenue during the year.

6. FUNCTIONAL EXPENSES

The Academy provides educational services to its students. Expenses related to providing these services are as follows as of June 30, 2023:

	<u>2023</u>
Program Services	
Contracted service fee	\$ 8,478,910
Board expense	<u>80,124</u>
 Total program services	 8,559,034
 General and administrative	
Contracted service fee	<u>819,026</u>
 Total	 <u>\$ 9,378,060</u>

The costs of providing the program and support services are recorded on an actual basis, when possible. Certain expenses attributable to more than one function and require an allocation, which is based on estimates determined by management, is consistently applied. Management and general expenses consist of expenditures incurred by the Academy based on their usage of management company services. Usage of management company services are calculated on a variety of different allocation methods based on various cost centers, including number of classrooms, number of students, and services provided. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different allocations.

7. LEASES

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2022, through June 30, 2023. Annual rental payments required by the lease are \$1,044,960, payable in twelve monthly payments of \$87,080. The lease agreement can be cancelled upon termination of the NHA services agreement.

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under FASB ASU No. 2016-02, *Leases* based on the noncancellable period being less than twelve months and applicability of the short-term lease exception for the facility lease agreement.

The Academy subsequently renewed the sublease with NHA for the period July 1, 2023 through June 30, 2024, at the same rental rate.

6. COMPENSATION OF BOARD OF DIRECTORS

All members of the Board of Directors serve as volunteers without compensation. By resolution of the Board, Directors may be reimbursed for their reasonable expenses incident to their duties in accordance with applicable laws.

7. CONTRIBUTION OF NONFINANCIAL ASSETS

In-kind donations recognized by the Academy for the year ended June 30, 2023 were \$475,090 for professional and other services. Professional and other services are valued at the estimated fair value based on current rates for similar services.

The Academy and NHA have entered into a separate agreement (the “agreement”) for each of the academies with NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facilities in which the Academy operates. The costs of services are recorded as program services or general and administrative, and are included under revenues, gains and other support as a contribution from NHA. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

8. SUBSEQUENT EVENTS

Events or transactions occurring after June 30, 2023 have been evaluated through December 13, 2023, the date the financial statements were available to be issued. The financial statements and notes thereto do not reflect events or transactions after this date.

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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 Management and the Board of Directors
Inspire Charter Academy, Inc.

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 basic financial statements of Inspire Charter Academy, Inc. (the "Academy"), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Inspire Charter Academy, Inc.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 13, 2023

SUPPLEMENTARY INFORMATION

INSPIRE CHARTER ACADEMY, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER YEAR ENDED JUNE 30, 2023

Agency Head Name: Alcinda Bell, Board President

Purpose	Amount
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-Other (describe)	-
Benefits-Other (describe)	-
Benefits-Other (describe)	-
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Inspire Charter Academy, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Inspire Charter Academy, Inc.'s (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2023. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal program.

To the Board of Directors
Inspire Charter Academy, Inc.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Inspire Charter Academy, Inc.

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.

Plante & Moran, PLLC

December 13, 2023

INSPIRE CHARTER ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

Program Title/Project Number/Subrecipient Name	Grant/Project Number	ALN Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through East Baton Rouge Parish and Nutrition Program:										
Cash Assistance:										
National School Lunch Program 2022-23	N/A	10.555	\$ 306,964	\$ -	\$ -	\$ -	\$ 306,964	\$ 306,964	\$ -	\$ -
Supply Chain Assistance 2022-23	N/A	10.555	10,959	-	-	-	10,959	10,959	-	-
National School Lunch Program Subtotal		10.555	317,923	-	-	-	317,923	317,923	-	-
National School Breakfast Program 2021-22	N/A	10.553	149,665	149,665	13,898	-	13,898	-	-	-
National School Breakfast Program 2022-23	N/A	10.553	139,581	-	-	-	138,378	139,581	1,203	-
National School Breakfast Program Subtotal		10.553	289,246	149,665	13,898	-	152,276	139,581	1,203	-
Total Child Nutrition Cluster			607,169	149,665	13,898	-	470,199	457,504	1,203	-
U.S. Department of Education Passed through: East Baton Rouge Parish:										
Title I Part A:										
Title I Part A 2122	N/A	84.010	212,800	217,056	47,668	-	23,117	(24,551)	-	-
Title I Part A 2223	N/A	84.010	228,631	-	-	-	234,158	234,158	-	-
Total Title I Part A		84.010	441,431	217,056	47,668	-	257,275	209,607	-	-
Title I Part A School Re-Design:										
Title I Part A School Re-Design 2122	N/A	84.010	52,605	52,605	17,410	-	20,703	3,293	-	-
Title I Part A School Re-Design 2223	N/A	84.010	42,550	-	-	-	-	38,170	38,170	-
Total Title I Part A School Re-Design		84.010	95,155	52,605	17,410	-	20,703	41,463	38,170	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 2223	N/A	84.367	22,799	-	-	-	18,100	22,799	4,699	-
Title IV Part A - Student Support & Academic Enrich:										
Title IV Part A 2223	N/A	84.424	14,607	-	-	-	14,607	14,607	-	-
Education Stabilization Fund Program										
COVID-19 ESSER Formula Fund I	203710	84.425D	105,000	630	(20)	-	-	20	-	-
COVID-19 ESSER Formula Fund II	213712	84.425D	443,004	51,666	170,843	-	-	82,968	253,811	-
COVID-19 ESSER Formula Fund III	213712	84.425U	826,600	131,448	302,187	-	-	31,487	333,674	-
Total ESSER			1,374,604	183,744	473,010	-	-	114,475	587,485	-
Total noncluster programs passed through the East Baton Rouge Parish			1,948,596	453,405	538,088	-	310,685	402,951	630,354	-
Total federal awards			\$ 2,555,765	\$ 603,070	\$ 551,986	\$ -	\$ 780,884	\$ 860,455	\$ 631,557	\$ -

INSPIRE CHARTER ACADEMY, INC.

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Inspire Charter Academy (the "Academy") under programs of the federal government for the year ended June 30, 2023. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Academy has elected not to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 – Reconciliation to the Financial Statements

Since revenue is recognized to the extent expenditures are readily identifiable with the revenue reported.

INSPIRE CHARTER ACADEMY, INC.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

ALN Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555	Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	

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

To the Board of Directors, 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 Inspire Charter Academy, Inc. (the "Academy") for the fiscal year ended June 30, 2023 to determine whether the specified schedules are free of obvious errors and omissions in compliance with Louisiana Revised Statute 24:514 I. Management of the Academy is responsible for its performance and statistical data.

Management of the Academy has agreed to the procedures performed and acknowledged that they are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to the procedures performed and acknowledged that they are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the sufficiency of these procedures, either for the purpose intended or for any other purpose.

An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

1. We selected a random sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenue are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
 - a. Total General Fund Instructional Expenditures
 - b. Total General Fund Equipment Expenditures
 - c. Total Local Taxation Revenue
 - d. Total Local Earnings on Investment in Real Property
 - e. Total State Revenue in Lieu of Taxes
 - f. Nonpublic Textbook Revenue
 - g. Nonpublic Transportation Revenue

Exceptions Noted: None

To the Board of Directors, the Louisiana
Department of Education, and the Louisiana
Legislative Auditor

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.

Exceptions Noted: None

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

3. We obtained October 1st J-Campus (PEP equivalent) 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 J-Campus (PEP equivalent).

Exceptions Noted: Of the 25 teachers tested, we identified three findings related to differences of 7 years compared to 11 years, 3 years compared to 4 years, and 4 years compared to 1 year, respectively, between the J-Campus (PEP equivalent) reports and the individual's personnel file regarding years of experience.

Additionally, of the 25 teachers tested, we identified two findings related to differences in individuals' education level between the J-Campus (PEP equivalent) data and the individuals' personnel file. One individual's personnel file showed a master's degree while the J-Campus (PEP equivalent) data showed a bachelor's degree. The second individual's personnel file showed less than a high school education while the J-Campus (PEP equivalent) data showed a master's degree.

Management's Response: We will adjust our filings in the future to correct the years of experience and education level for the individuals identified.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th J-Campus (PEP equivalent) 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 J-Campus data (PEP equivalent).

Exceptions Noted: None

We were engaged by management of the Academy 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 (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

To the Board of Directors, the Louisiana
Department of Education, and the Louisiana
Legislative Auditor

This report is intended solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Inspire Charter Academy, Inc., 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. The report is also intended solely for the information and use of the board of directors and management of the Academy, the Louisiana Department of Education, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, the report will be distributed by the Louisiana Legislative Auditor as a public document.

Plante & Moran, PLLC

East Lansing, Michigan
December 13, 2023

Inspire Charter Academy, Inc.

**Schedules Required by State Law (R.S. 24:514.I - Performance and Statistical Data)
As of and for the Year Ended June 30, 2023**

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.

**INSPIRE CHARTER ACADEMY, INC.
BATON ROUGE, LOUISIANA**

Schedule 1

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2023**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 2,353,528
Other Instructional Staff Salaries	100,351
Instructional Staff Employee Benefits	538,239
Purchased Professional and Technical Services	132,905
Instructional Materials and Supplies	343,679
Instructional Equipment	<u>-</u>

Total Teacher and Student Interaction Activities 3,468,702

Other Instructional Activities 114,201

Pupil Support Services 302,596

Less: Equipment for Pupil Support Services -

Net Pupil Support Services 302,596

Instructional Staff Services 424,781

Less: Equipment for Instructional Staff Services -

Net Instructional Staff Services 424,781

School Administration 863,183

Less: Equipment for School Administration -

Net School Administration 863,183

Total General Fund Instructional Expenditures \$ 5,173,463

Total General Fund Equipment Expenditures \$ -

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

INSPIRE CHARTER ACADEMY, INC.
 BATON ROUGE, LOUISIANA
 Class Size Characteristics
 As of October 1, 2022

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34 +	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	72.44%	163	27.56%	62	0.00%	0	0.00%	0
Elementary Activity Classes								
Middle Jr. High								
Middle Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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

Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of Directors of Inspire
Charter Academy, Inc. 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's) Statewide Agreed-upon Procedures (SAUPs) for the fiscal period from July 1, 2022 through June 30, 2023. Inspire Charter Academy, Inc.'s (the "Academy") management is responsible for those C/C areas identified in the SAUPs.

Inspire Charter Academy, Inc. has agreed to the procedures performed and acknowledged that they are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period from July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to the procedures performed and acknowledged that they 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. We make no representation regarding the sufficiency of these procedures, either for the purpose intended or for any other purpose.

An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. 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 Academy's operations, as applicable:
 - 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, and agency fund forfeiture moneys 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(s) rate 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

To the Board of Directors of Inspire
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- 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, P-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. Note: Ethics requirement is generally not applicable to nonprofits per the Louisiana Code of Ethics. **Management has concluded this requirement is not applicable to the Academy.**
- 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. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception Noted: For the sexual harassment category, management does not have a written policy regarding the requirement of annual employee training and annual reporting.

Management's Response: Through its service agreement with National Heritage Academies, Inc. (NHA), the Academy has an established policy and procedures in which sexual harassment is addressed in the employee handbook, which all employees sign upon being hired. While the Academy did not prepare an annual sexual harassment report for the current fiscal year, the Academy confirmed no sexual harassment complaints were received during the current fiscal year.

2. Board (or Finance Committee, if Applicable)

- 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 perform the following:
 - 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 nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10 percent 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. **Management has concluded this step is not applicable to the Academy since the Academy is not a governmental entity.**

To the Board of Directors of Inspire
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- 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.

Exception Noted: None

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, using a random number generator tool, select four additional accounts (or all accounts if less than five). Randomly, using a random number generator tool, 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 two months of the related statement closing date (e.g., initialed and dated or electronically logged).
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).
 - 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.

Exception Noted: None

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, using a random number generator tool, select five deposit sites (or all deposit sites if less than five).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly, using a random number generator tool, select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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 responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., prenumbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not 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.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not 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 the bond or insurance policy for theft was enforced during the fiscal period.

To the Board of Directors of Inspire
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- D. Randomly, using a random number generator tool, select two deposit dates for each of the five bank accounts selected for procedure 3A under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and, randomly, using a random number generator tool, select a deposit if multiple deposits are made on the same day). Alternately, 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 prenumbered.
 - ii. Trace sequentially prenumbered 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 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).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Exception Noted: Procedures 4A through 4D above relate to collections and sales-type activities, which would not be applicable at the Academy. The employees collecting any cash at the Academy (which would be minimal) are employees of the management company, NHA, rather than employees of the Academy and would not be public employees requiring bonding. Management has concluded this requirement is not applicable to the Academy.

5. *Nonpayroll Disbursements (Excluding Card Purchases/Payments, 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, using a random number generator tool, select five locations (or all locations if less than five).
- B. For each location selected under procedure 5A above, obtain a listing of those employees involved with nonpayroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe through review of the policies 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/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.
 - 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: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.

To the Board of Directors of Inspire
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- C. For each location selected under procedure 5A above, obtain the entity's nonpayroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly, using a random number generator tool, select five disbursements for each location, obtain supporting documentation for each transaction, and perform the following:
 - i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure 5B, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure 3A, randomly select five nonpayroll-related electronic disbursements (or all electronic disbursements if less than five) 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

Exception Noted: None

6. Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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, using a random number generator tool, select five cards (or all cards if less than five) that were used during the fiscal period. Randomly, using a random number generator tool, select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and perform the following:
 - 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. Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.
 - 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 7B above, excluding fuel cards, randomly, using a random number generator tool, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a missing receipt statement that is subject to increased scrutiny.

Exceptions Noted: Procedures 6A through 6C above relate to credit cards/debit cards/fuel cards/P-cards, which would not be applicable at the Academy. The employees who were issued credit cards/debit cards/fuel cards/P-cards are employees of the management company, NHA, rather than employees of the Academy. Management has concluded this requirement is not applicable to the Academy.

To the Board of Directors of Inspire
Charter Academy, Inc. and the Louisiana
Legislative Auditor

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, using a random number generator tool, select five 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 five reimbursements selected:
- i. If reimbursed using a per diem, observe 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 the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe 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 policy (procedure 1A (vii)).
 - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions Noted: None

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. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly, using a random number generator tool, select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and perform the following:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised).
 - ii. Observe whether the contract was approved by the governing body/board.
 - iii. Inquire of management if any contracts were amended during the year (e.g., change order). If yes, observe 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, was approval documented?)
 - iv. Randomly, using a random number generator tool, select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Exception Noted: None

9. Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period using a payroll register and management's representation that the listing is complete. Randomly, using a random number generator tool, select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

To the Board of Directors of Inspire
Charter Academy, Inc. and the Louisiana
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- B. Randomly, using a random number generator tool, select one pay period during the fiscal period. For the five employees or officials selected under procedure 9A above, obtain attendance records and leave documentation for the pay period, and perform the following:
- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, or compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials who received termination payments during the fiscal period and management's representation that the list is complete. Randomly, using a random number generator tool, select two employees or officials, 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 or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' 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.

Exception Noted: None

10. Ethics

- A. Using the five randomly selected employees/officials from procedure 9A under "Payroll and Personnel" above, obtain ethics documentation from management, and perform the following:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe whether the entity maintains documentation that demonstrates that each employee and official was notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Exception Noted: The ethics requirement is generally not applicable to nonprofits per the Louisiana Code of Ethics. Management has concluded this requirement is not applicable to the Academy.

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.

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- 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, using a random number generator tool, 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).

Exception Noted: Debt service requirement is generally not applicable to nonprofits. Management has concluded this requirement is not applicable to the Academy.

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.
- B. Observe 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.

Exception Noted: None

13. Information Technology Disaster Recovery/Business Continuity

- A. Verbally discuss the results with management, report "We performed the procedure and discussed the results with management," and perform the following procedures:
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three 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, using a random number generator tool, select five 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 five terminated employees (or all terminated employees if less than five) using the list of terminated employees obtained in procedure 9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Exception Noted: None

14. Prevention of Sexual Harassment

- A. Using the five randomly selected employees/officials from procedure 9A under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- B. Observe 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).

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- 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 it 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 that 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
 - v. Amount of time it took to resolve each complaint

Exception Noted: Management does not require at least one hour of sexual harassment training to be completed during the calendar year by its employees. Also, management did not prepare an annual sexual harassment report for the current fiscal year.

Management's Response: Through its service agreement with NHA, the Academy has an established policy and procedures in which sexual harassment is addressed in the employee handbook, which all employees sign upon being hired. While the Academy did not prepare an annual sexual harassment report for the current fiscal year, the Academy confirmed no sexual harassment complaints were received during the current fiscal year.

We were engaged by the Academy 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 (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on 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 the Academy 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 results of that testing and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Plante & Moran, PLLC

East Lansing, Michigan
December 13, 2023