

**COMMUNITY ACADEMIES
OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2021



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Independent Auditor's Report

To the Board of Directors
Community Academies of New Orleans, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Academies of New Orleans, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2021, and 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Academies of New Orleans, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of board of directors, and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (RS) 24:513 A(3), are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 January 3, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
January 3, 2022

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2021

Assets

Current Assets

Cash	\$ 2,141,465
Grants Receivable	1,138,217
Prepaid Expenses	<u>118,376</u>

Total Current Assets	<u>3,398,058</u>
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Property and Equipment

Furniture, Fixtures, and Equipment	12,088
Leasehold Improvements	209,189
Less: Accumulated Depreciation	<u>(12,053)</u>

Net Property and Equipment	<u>209,224</u>
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Total Assets	<u><u>\$ 3,607,282</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 1,444,012
Accrued Expenses	513,099
Deferred Revenue	4,269
Note Payable	<u>300,000</u>

Total Current Liabilities	<u>2,261,380</u>
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Net Assets

Without Donor Restrictions	<u>1,345,902</u>
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Total Net Assets	<u>1,345,902</u>
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Total Liabilities and Net Assets	<u><u>\$ 3,607,282</u></u>
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The accompanying notes are an integral part of these financial statements.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
State and Local Public School Funding			
Minimum Foundation Program	\$ 14,789,590	\$ -	\$ 14,789,590
Federal Grants	3,041,030	-	3,041,030
Federal School Lunch Program	742,153	-	742,153
Other State Funding	119,090	-	119,090
Other Income	144,758	-	144,758
Private Grants and Contributions	974,274	-	974,274
Interest Income	1,010	-	1,010
Net Assets Released from Restrictions	-	-	-
Total Support and Revenue	19,811,905	-	19,811,905
Expenses			
Program Services - Student Instruction and Activities			
Regular Education	8,691,124	-	8,691,124
Special Education	2,679,391	-	2,679,391
Special Programs	373,879	-	373,879
Pupil Support	411,107	-	411,107
Supporting Services			
School Administration	2,313,427	-	2,313,427
Instructional Staff Support	4,491	-	4,491
Management and General	5,337,489	-	5,337,489
Total Expenses	19,810,908	-	19,810,908
Change in Net Assets	997	-	997
Net Assets, Beginning of Year	1,344,905	-	1,344,905
Net Assets, End of Year	\$ 1,345,902	\$ -	\$ 1,345,902

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

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services - Student Instruction and Activities				Supporting Services			Total
	Regular Education	Special Education	Special Programs	Pupil Support	School Administration	Instructional Staff Support	Management & General	
Expenses								
Salaries	\$ 5,560,180	\$ 1,931,353	\$ 324,177	\$ 136,324	\$ 1,975,546	\$ -	\$ 1,518,780	\$ 11,446,360
Purchased Transportation Service	1,335,213	210,937	-	-	-	-	55,680	1,601,830
Purchased Services	190,347	244,055	-	250,417	33,000	-	689,360	1,407,179
Repairs and Maintenance	-	-	-	-	-	-	1,027,574	1,027,574
Payroll Taxes	479,010	143,269	22,840	8,985	141,324	-	108,002	903,430
Employee Benefits	500,582	147,509	26,862	10,734	116,293	-	66,173	868,153
Materials and Supplies	490,209	1,635	-	4,623	9,516	4,491	68,541	579,015
Food Service	-	-	-	-	-	-	518,889	518,889
Insurance	-	-	-	-	-	-	411,127	411,127
Utilities	-	-	-	-	-	-	345,898	345,898
Student Activities	76,295	-	-	-	15,647	-	68,166	160,108
Communications	-	-	-	-	-	-	137,308	137,308
Equipment and Furnishings	42,764	-	-	24	-	-	86,241	129,029
Renting and Leasing	-	-	-	-	-	-	100,219	100,219
Professional Development	100	600	-	-	20,929	-	33,100	54,729
Dues and Fees	13,570	-	-	-	574	-	23,281	37,425
Advertising and Marketing	-	-	-	-	524	-	33,045	33,569
Other Miscellaneous Expenses	2,710	-	-	-	-	-	24,333	27,043
Depreciation	-	-	-	-	-	-	12,053	12,053
Printing	-	-	-	-	-	-	9,455	9,455
Travel	144	33	-	-	74	-	264	515
Total Expenses	\$ 8,691,124	\$ 2,679,391	\$ 373,879	\$ 411,107	\$ 2,313,427	\$ 4,491	\$ 5,337,489	\$ 19,810,908

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

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in Net Assets	\$ 997
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	12,053
Paycheck Protection Program Loan Forgiveness	(41,600)
(Increase) Decrease in:	
Grants Receivable	(1,040,537)
Prepaid Expenses	(118,376)
Increase (Decrease) in:	
Accounts Payable	1,283,966
Accrued Expenses	471,609
Deferred Revenue	4,269
	<u>572,381</u>
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities	
Purchase of Property and Equipment	<u>(221,277)</u>
Net Cash Used in Investing Activities	
<u>(221,277)</u>	
Cash Flows from Financing Activities	
Proceeds from Note Payable	<u>300,000</u>
Net Cash Provided by Financing Activities	
<u>300,000</u>	
Net Increase in Cash	651,104
Cash, Beginning of Year	<u>1,490,361</u>
Cash, End of Year	<u>\$ 2,141,465</u>

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

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Community Academies of New Orleans, Inc. (the Organization) was incorporated on August 14, 2019, to bring together Esperanza Charter School and Lafayette Academy of Choice Foundation and Foundation Preparatory Charter School with the ultimate goal of strengthening all three schools, while also maintaining their unique cultures and communities. These schools share a commitment to serving all students in our diverse New Orleans community, a foundational principle upon which Community Academies was founded.

In May 2020, the Orleans Parish School Board (OPSB, a.k.a NOLA Public Schools, a.k.a NOLA-PS) approved a five-year charter agreement for the Organization to operate Lafayette Academy Charter School, which is scheduled to expire on June 30, 2025.

In May 2020, the OPSB approved a five-year charter agreement for the Organization to operate Esperanza Charter School, which is scheduled to expire on June 30, 2025.

In May 2020, the OPSB approved a five-year charter agreement for the Organization to operate Foundation Preparatory Charter School, which is scheduled to expire on June 30, 2025.

The Organization provided student instruction and activities as part of regular education, special education, special programs, and pupil support services programs.

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Net Asset Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

The activities of the Organization and its charter schools are accounted for separately. The statement of financial position and statement of activities and changes in net assets include the accounts of CANO and the three (3) aforementioned charter schools. All significant inter-school transactions and balances have been eliminated.

Functional Expenses

The costs of providing the program services and other activities 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or student count. Expenses allocated based on student count during the year ended June 30, 2021 include purchased services. There were no expenses that were allocated based on time and effort during the year ended June 30, 2021.

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.

Cash

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Organization's bank accounts from donations received from individuals or entities who specified the use of the contribution. At June 30, 2021, there were no restricted cash balances.

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. At June 30, 2021, the Organization had no cash equivalents.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Grants Receivable

The Organization received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at year-end are stated at unpaid balances for expenditures incurred during the year. As of June 30, 2021, based on management's experience with the collection of grants from the State of Louisiana, the grants receivable are considered to be fully collectible.

Contributions and Revenue Recognition

Grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

Revenues from federal and state grants are recorded when the Organization has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related costs by the Organization, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The Organization's primary source of funding was through the State's Minimum Foundation Program (MFP). The Organization received revenue from the state based on eligible students in attendance on a monthly basis.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and 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. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The following are the estimated useful lives of the fixed assets of the Organization:

Assets	Useful Lives
Furniture, Fixtures, and Equipment	7 Years
Leasehold Improvements	15 Years

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.

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 management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Compensated Absences

All teachers and staff are provided 10 days of paid annual sick leave. If the employee terminates at June 30th, the remaining days are forfeited. Accordingly, the Organization does not recognize a liability for accumulated compensated absences.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agency are to be used for educational purposes as described in the Organization's charter agreements and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds.

Non-capital assets acquired by the Organization with non-public funds will remain the property of the Organization. Assets purchased with public funds obtained from public sources will automatically revert to the Board of Elementary and Secondary Education at the time this agreement is terminated. The Organization must maintain records of any assets acquired with private funds that will remain the property of the Organization.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is evaluating the impact that ASU 2016-02 will have on its financial statements and related disclosures.

Recent Accounting Pronouncements - Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of this standard resulted in no significant changes in the way the Organization recognizes revenue.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition to enable financial statement users to understand the nature, timing, amount, and uncertainty of revenue and cash flow arising from contracts with customers. The Organization implemented ASU 2014-09 using a modified retrospective method of application to all contracts. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for student activity fees, the Organization performed an analysis into the application of the portfolio approach as a practical expedient to group contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 resulted in no significant changes to the revenue recognition process nor the disclosure of revenue related to student activity fees.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 2. Concentrations

The Organization received 75% of its revenues for the year ended June 30, 2021 from the State of Louisiana, subject to its charter agreement with the State. The Organization received 20% of its revenues for the year ended June 30, 2021 from the federal government, subject to grant agreements with the United States Department of Agriculture, the United States Department of Education, and the United States Department of Health and Human Services.

The Organization's operations are concentrated to the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2021, the Organization's bank balances were \$2,783,153. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$500,000. The remaining deposits of \$2,283,153 were uninsured. The Organization has not experienced any losses as a result of this practice.

Note 3. Cash

The Organization's cash (book balance) at June 30, 2021 was \$2,141,465 , which is stated at cost and approximates market.

Note 4. Grants Receivable

As of June 30, 2021, grants receivable totaled \$1,138,217 which were receivables for federal and state grants passed through the Louisiana Department of Education and the Orleans Parish School Board. The stated balance is considered to be fully collectible.

Note 5. Property and Equipment

Depreciation expense totaled \$12,053 for the year ended June 30, 2021.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 6. Retirement Plan

The Organization offers a 401(k) plan to employees who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. The Organization matches 100% of each employee's first 5% of their elective contributions. The Organization's match expense for the year ended June 30, 2021, amounted to \$77,411.

Note 7. Leases

The Organization entered into an agreement with the OPSB which allows the Organization to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is designated to Lafayette Academy Charter School and is scheduled to expire on June 30, 2024.

The Organization entered into an agreement with the OPSB which allows the Organization to use the facilities and its contents located at 9330 Forshey Street, New Orleans, LA 70118. The lease agreement is designated to Lafayette Academy Charter School and is scheduled to expire on June 30, 2024.

The Organization entered into an agreement with the OPSB which allows the Organization to use the facilities and its contents located at 4407 South Carrollton Avenue, New Orleans, Louisiana 70119. The lease agreement is designated to Esperanza Charter School and is scheduled to expire on June 30, 2022.

The Organization entered into an agreement with the OPSB which allows the Organization to use the facilities and its contents located at 3121 St. Bernard Avenue, New Orleans, LA 70119. The lease agreement is designated to Foundation Preparatory Charter School and is scheduled to expire on June 30, 2023.

All four (4) of the aforementioned lease leases call for payments based on a Use Fee and participation in OPSB's Per Pupil Unit Cost Program. The Use Fee is calculated annually and withheld from MFP funds by OPSB. The calculation is based on each charter schools per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled school facilities participating in the Per Pupil Unit Cost Program, and includes any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship. See Note 8.

Use of the properties in the aforementioned leases is not recorded as an in-kind contribution from, or related rent expense to, the OPSB as the value of the use of the land and building is not readily determinable.

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Minimum Foundation Program (MFP)

The OPSB provides funding to the State of Louisiana, collected from local agencies, which passes through to the Organization as local MFP, which is determined on an annual basis based on the number of pupils enrolled as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the schools of the Organization as of October 1st. This state-funded per pupil allocation is based on the most recently approved MFP formula resolution. For the year ended June 30, 2021, the Organization recognized state and local MFP revenue of \$14,789,590.

The OPSB charges and withholds an administration fee from MFP distributions. For the year ended June 30, 2021, the Organization recognized administration fee expense of \$295,792 related to MFP distributions.

The Organization paid state-mandated property and building insurance, which was withheld from MFP distributions. For the year ended June 30, 2021, the Organization recognized administration fee expense of \$226,241 related to these withholdings. Also see Note 7.

Note 9. Restrictions on Assets

Net assets with donor restrictions are restricted by donors for specific time periods or specific programs, purposes, or to assist specific departments of the Organization. These restrictions are considered to expire when payments for restricted purposes are made. There were no net assets with donor restrictions presented at June 30, 2021.

Note 10. Risks, Uncertainties, and Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2021 nor subsequent to year end and through the date of the report.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 10. Risks, Uncertainties, and Risk Management (Continued)

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, at this time, the Organization experienced moderate disruptions, including conversions to digital and remote learning options, additional costs related to sanitization and technology supplies, and the temporary suspension or delay of certain student activities.

The Organization's concentrations due to significant local, state, and federal funding make it reasonably possible that the Organization is vulnerable to the risk of a near-term significant impact. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

Note 11. Charter Management Organization (CMO) Fees

As the administrator of the schools, the Organization incurs and records overhead costs on behalf of all of its schools. Management of the Organization estimates an allocable amount of these costs to be charged to the schools on an annual basis using a predetermined rate and student head count. CMO fees allocated and charged to schools during the year ended June 30, 2021 have been eliminated from other income and management and general expenses on the accompanying statement of activities and changes in net assets.

Note 12. Liquidity and Availability

The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Organization has available. In addition, the Organization operates within 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 balance sheet date, comprise the following:

Cash	\$	2,141,465
Grants Receivable		<u>1,138,217</u>
Total	\$	<u><u>3,279,682</u></u>

**COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 13. Paycheck Protection Program (PPP) Loan

During April 2020, the Organization entered into a U.S. Small Business Association (SBA) Payroll Protection Program loan (PPP loan) with Hope Credit Union in the amount of \$41,600, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP loan was subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The terms of the PPP loan also provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Organization applied for forgiveness of the PPP loan with respect to these covered expenses. On May 17, 2021, the SBA notified the organization that its loan was fully forgiven. During the year ended June 30, 2021, the Organization has recognized Paycheck Protection Program Loan Forgiveness income totaling \$41,600 included within Other Income on the Statement of Activities and Changes in Net Assets.

Note 15. Related Parties

During 2019, the Organization entered into an agreement with Choice Foundation, an entity related by a common board member, which outsourced certain academic leadership roles to the Organization for the 2020 fiscal year. Amounts receivable from Choice Foundation under this agreement as of June 30, 2020 totaled \$97,680 and were paid to the Organization during the year ended June 30, 2021.

During 2019, the Organization entered into an agreement with Foundation Preparatory, Inc., an entity related by a common board member, which outsourced certain academic leadership roles from the Organization for the 2020 fiscal year. Amounts payable to Foundation Preparatory, Inc. under this agreement as of June 30, 2020 totaled \$157,796 and were paid by the Organization during the year ended June 30, 2021.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 3, 2022, and determined that there were no subsequent events occurred that require disclosure.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2021

Board Members	Compensation
Alysson Mills, Chair	\$ -0-
Brooke Wyatt, Co-Chair	\$ -0-
Hans Jonassen, Treasurer	\$ -0-
Adrienne Celestine, Secretary	\$ -0-
Pierre Conner	\$ -0-
Margo Phelps	\$ -0-
Scott Champagne	\$ -0-

See independent auditor's report.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended June 30, 2021

Agency Head
 Myrialis King, Chief Executive Officer

Purpose	Amount
Salary	\$200,000
Benefits - Insurance	\$4,473
Benefits - Retirement	\$4,231
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

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
Community Academies of New Orleans, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Academies of New Orleans, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2021, and 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 January 3, 2021.

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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance with the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Baton Rouge, LA
January 3, 2022

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

Independent Auditor's Report

To the Board of Directors
Community Academies of New Orleans, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Community Academies of New Orleans, Inc.'s (the Organization) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 charge with governance.

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

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

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
January 3, 2022

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
<u>United States Department of Agriculture</u>			
Passed through the Louisiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	NONE	\$ 251,786
National School Lunch Program	10.555	NONE	487,145
Total Child Nutrition Cluster			<u>738,931</u> *
Child and Adult Care Food Program	10.558	NONE	<u>3,222</u>
Total United States Department of Agriculture			<u>742,153</u>
<u>United States Department of Education</u>			
Passed through the Louisiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010A	S010A190018	789,085
Title I Grants to Local Educational Agencies - Direct Student Services	84.010A	S010A190018	<u>21,985</u>
Total Title I, Part A			<u>811,070</u> *
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA Part B)	84.027A	H027A190033	336,934
Special Education - High Cost Services (IDEA Part B)	84.027A	H027A190033	<u>53,912</u>
Total Special Education Cluster (IDEA)			<u>390,846</u>
Charter Schools Program	84.282A	U282A160005	931,150 *
Title III English Language Acquisition State Grants	84.365A	S365A190018	21,644
Title II Supporting Effective Instruction State Grants	84.367A	S367A190017	113,238
Title IV Student Support and Academy Enrichment	84.424A	S424A190019	61,762
COVID-19 - Education Stabilization Fund			
Elementary and Secondard School Emergency Relief Fund	84.425D	S425D200003	661,701
Elementary and Secondard School Emergency Relief Fund, II	84.425D	S425D210003	35,208
Elementary and Secondard School Emergency Relief Fund, III	84.425D	S425D210003	<u>14,411</u>
Total COVID-19 - Education Stabilization Fund			<u>711,320</u> *
Total United States Department of Education			<u>3,041,030</u>
Total Expenditures of Federal Awards			<u>\$ 3,783,183</u>

* Denotes Major Program

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1. General

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of the federal awards of Community Academies of New Orleans, Inc. (the Organization). The Organization's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2021. All federal awards received from federal agencies are included on the schedule.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Organization has met the qualifications for the respective grants.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the Organization. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

Note 3. Indirect Cost Rates

The Organization did not include any expenditures related to indirect cost rate calculations nor any 10% de minimis cost rate calculations in its schedule of expenditures of federal awards as there were no indirect cost rates utilized as part of the federal grant activity.

Certain costs, such as those associated with budgeting, accounting, personnel administration, et cetera, benefit more than one program but are not readily assignable to the programs receiving the benefits. Some agencies and universities apply a federally-approved indirect cost rate to direct program costs to recover a portion of these indirect costs from federal grants or contracts. Indirect costs charged to federal grants and contracts by means of approved indirect cost rates are recognized as disbursements or expenditures in the SEFA.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Part I - Summary of Auditor's Results

Financial Statement Section

- | | |
|--|------------|
| 1. Type of auditor's report | Unmodified |
| 2. Compliance and internal control over financial reporting | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified not considered to be material weaknesses? | None |
| c. Noncompliance noted? | None |

Federal Awards Section

- | | |
|---|------------|
| 3. Type of auditor's report issued on compliance for major programs | Unmodified |
| 4. Internal control over major programs | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified not considered to be material weaknesses? | None |
| 5. Audit findings disclosed that are required in accordance with the Uniform Guidance | None |
| 6. Identification of major programs | |
| 10.553, 10.555 - Child Nutrition Cluster | |
| 84.010 – Title I, Part A | |
| 84.282 – Charter Schools Program | |
| 84.825D – Educational Stabilization Fund | |
| 7. Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 8. Auditee qualified as a low-risk auditee under the Uniform Guidance | No |

Part II - Financial Statement Findings Section

None.

Part III - Federal Award Findings and Questioned Costs Section

None.

COMMUNITY ACADEMIES OF NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2021

Part I - Financial Statement Findings Section

None.

Part II - Federal Award Findings and Questioned Costs Section

None.