

**Southwest Louisiana Charter  
Academy Foundation, Inc.**

Combined Financial Statements  
(Lake Charles College Prep Note  
Payable Compliance)  
For the Year Ended June 30, 2017

# Southwest Louisiana Charter Academy Foundation, Inc.

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(Lake Charles College Prep Note  
Payable Compliance)  
For the Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Southwest Louisiana Charter Academy Foundation, Inc.  
Lake Charles, Louisiana

We have audited the accompanying combined financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Charter Academy Foundation, Inc. as of June 30, 2017, 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 combined financial statements as a whole. The combining statements on pages 14 through 16 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 28, 2017

# FINANCIAL STATEMENTS

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combined Statement of Financial Position (Deficit)**  
**June 30, 2017**

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**Current Assets:**

Cash and cash equivalents	\$ 1,363,013
Custodial funds - cash	60,973
Grants receivable	355,314
Due from management company	80,742
Other receivables	74,320
Prepaid items	70,625
	<hr/>
Total current assets	2,004,987

**Property and Equipment, less accumulated depreciation of \$ 2,944,505**

15,218,936

**Other Assets:**

Restricted cash equivalents	2,199,591
Deposits	16,209
	<hr/>
Total other assets	2,215,800

Total assets \$ 19,439,723

**Current Liabilities:**

Accounts payable and accrued expenses	\$ 179,490
Salaries and wages payable	453,921
Accrued interest payable	57,235
Due to related party	32,472
Due to management company	547,909
Custodial funds	60,973
Compensated absences	39,346
Notes payable	149,146
Bonds payable	200,000
Deferred revenue	20,648
	<hr/>
Total current liabilities	1,741,140

**Noncurrent Liabilities:**

Due to related party	1,045,950
Compensated absences	13,115
Notes payable	2,363,826
Bonds payable, net of unamortized discount and bond issuance cost	16,474,275
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Total noncurrent liabilities 19,897,166

Total liabilities 21,638,306

**Commitments (Note 9)**

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**Net Assets (Deficit) - Unrestricted**

(2,198,583)

Total liabilities and net assets \$ 19,439,723

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

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combined Statement of Activities**  
**For the Year Ended June 30, 2017**

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**Support and Revenues:**

Support:

Contributions \$ 98,906

Grants:

Federal 1,309,898

State 25,368

Minimum Foundation Program 11,056,950

Total support 12,491,122

Revenues:

Food services 536

Before and aftercare fees 12,499

Other revenue 95,657

Interest income 3,427

Total revenues 112,119

Total support and revenues 12,603,241

**Expenses:**

Instruction 5,806,403

Support services:

Pupil personnel services 553,576

Instruction related technology 178,616

Instructional staff training services 186,471

School Board 51,762

School administration 1,011,557

Fiscal services 2,114,247

Food services 441,229

Central services 31,085

Transportation 386,716

Operation of plant 1,610,660

Community services 48,987

Interest and amortization expense 1,552,300

Total expenses 13,973,609

Change in net assets (1,370,368)

**Net Assets (Deficit), beginning of year** (828,215)

**Net Assets (Deficit), end of year** \$ (2,198,583)

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

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combined Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ (1,370,368)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Provision for depreciation	955,834
Provision for amortization of bond costs	17,298
Provision for amortization of bond discount	6,125
(Increase) Decrease in:	
Grants receivable	(159,468)
Due from management company	(267,024)
Other receivables	(66,323)
Prepaid items	(52,512)
Deposits	(7,583)
Increase (Decrease) in:	
Accounts payable and accrued expenses	(524,216)
Salaries and wages payable	(9,653)
Accrued interest payable	(1,466)
Due to management company	556,128
Due to related party	101,888
Custodial funds	(12,525)
Compensated absences	18,161
Deferred revenue	(78,906)
	<u>(894,610)</u>
Net cash used in operating activities	<u>(894,610)</u>
<b>Cash Flows from Investing Activities:</b>	
Payments for purchase of property and equipment	<u>(656,017)</u>
Net cash used in investing activities	<u>(656,017)</u>
<b>Cash Flows from Financing Activities:</b>	
Payments on bonds and notes payable	<u>(327,240)</u>
Net cash used in financing activities	<u>(327,240)</u>
Decrease in cash and cash equivalents, custodial funds and restricted cash equivalents	(1,877,867)
<b>Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, beginning of year, as restated</b>	<u>5,501,444</u>
<b>Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, end of year</b>	<u>\$ 3,623,577</u>
Cash and cash equivalents	\$ 1,363,013
Custodial funds - cash	60,973
Restricted cash equivalents	<u>2,199,591</u>
	<u>\$ 3,623,577</u>

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



### **Note 1 - Organization and Operations**

**Organization:** Southwest Louisiana Charter Academy Foundation, Inc. (the "Foundation"), a Louisiana not-for-profit corporation, was formed on April 19, 2012 exclusively for educational purposes and is comprised of respected leaders in the Lake Charles community that are committed to providing high quality educational options for the citizens of the Calcasieu Parish. Southwest Louisiana Charter Academy, a Department of the Foundation, was established as a charter school in July 2012 for students from kindergarten to eighth grade in the Louisiana Parish of Calcasieu. Lake Charles College Prep, a Department of the Foundation, was established as a charter school in July 2014 for students from ninth to twelfth grade in the Louisiana Parish of Calcasieu. For the 2017 school year, students in the ninth, tenth, and eleventh grade were served with the twelfth grade to be added in the subsequent year.

**Nature of activities:** Southwest Louisiana Charter Academy was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2012 to operate a Type 2 public charter school. The current charter is in effect until June 2022. The charter may be renewed at the discretion of BESE.

Lake Charles College Prep was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2014 to operate a Type 2 public charter school. The current charter is in effect until June 2018 and may be extended for a maximum initial term of five years. Upon the completion of the charter school's fifth year of operations, the charter may be renewed at the discretion of BESE.

The Foundation seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulation and BESE policy.

The mission of the Foundation is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential. The goal is to ensure that each student realizes their potential to become a self-motivated life-long learner, a responsible citizen, and a productive member of the global 21<sup>st</sup> century workforce, by ensuring that each graduating student is prepared to enter, compete, and succeed in secondary and post-secondary educational opportunities and careers of choice.

The Foundation will implement its mission through creating a learning environment of student safety and success that incorporates individualized, research-based instruction, integrated character education, project-based learning opportunities, and community engagement.

### **Note 2 - Summary of Significant Accounting Policies**

**Basis of presentation:** The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the reporting organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Note 2 - 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 Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**Revenue recognition:** Revenues from governmental grants are recognized when allowable expenditures are made by the Foundation. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Foundation reports no temporarily restricted or permanently restricted net assets as of June 30, 2017.

**Minimum Foundation Program (MFP):** The Schools, as Type 2 charter schools, received funding from BESE in an amount for pupils based on estimated daily attendance at school. The amount of funding received is adjusted during the school year based on October 1st and February 1st student counts and the result of any audits performed.

**Cash and cash equivalents:** The Foundation considers all highly liquid or short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation routinely maintains cash balances at financial institutions which exceed federally insured amounts. The Foundation has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

**Restricted cash and cash equivalents:** At June 30, 2017, restricted cash equivalents include escrow balances restricted for debt service (Note 6) and other activities as follows:

Series 2013 Debt Service Reserve Fund	\$	1,594,678
Series 2013 Revenue Fund		<u>604,913</u>
Total restricted cash equivalents	\$	<u><u>2,199,591</u></u>

**Property and equipment:** Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements, and other major renewals that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related assets. Other costs incurred for repairs and maintenance are charged to expense as incurred. Interest expense is capitalized during the time a project is under construction and begins upon the issuance of bonds to finance the construction of a capital asset.

**Note 2 - Summary of Significant Accounting Policies (continued)**

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	45 years
Furniture and equipment	5 years
Computer equipment and software	3 years
Improvements other than building	10 years

**Prepaid items:** Certain payments reflect costs applicable to services for a future accounting period and are recorded as prepaid expenses in the accompanying financial statements.

**Compensated absences:** The Foundation’s policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

**Bond issuance costs and provision for amortization:** The Foundation incurred certain costs in connection with the issuance of its bonds. These costs have been capitalized for financial reporting purposes and are amortized over the term of the bonds on a straight-line basis. In accordance with the guidance of Financial Accounting Standards Board in its Accounting Standards Update 2015-03, *Interest-Imputation of Interest*, the Organization has presented its bond issuance costs in the statement of financial position as a direct deduction from the bonds payable.

Total provision for amortization was \$ 17,298 for the year ended June 30, 2017.

**Deferred revenue:** Deferred revenue is recorded in connection with resources that have been received, but not yet earned.

**Functional allocation of expenses:** The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

**Use of estimates:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**Date of management’s review:** Subsequent events have been evaluated through September 28, 2017, which is the date the financial statements were available to be issued.

**Note 3 - Grants Receivable**

As of June 30, 2017, grants receivable consisted of amounts due from the following sources:

Receivables	Amount
Title I	\$ 227,388
Title II	7,267
IDEA	87,272
National School Lunch Program	32,928
Education Excellence Fund	459
	\$ 355,314

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Notes to Combined Financial Statements**  
**June 30, 2017**

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**Note 4 - Property and Equipment**

The following is a summary of property and equipment at June 30, 2017:

Land	\$ 1,792,554
Construction in progress	25,161
Building	13,032,731
Furniture, fixtures and equipment	1,364,195
Computer equipment and software	1,655,254
Improvements other than building	<u>293,546</u>
Less: accumulated depreciation	<u>(2,944,505)</u>
Property and equipment, net	<u>\$ 15,218,936</u>

Depreciation expense for the year ended June 30, 2017 totaled \$ 955,834.

If certain governmental funding is used to acquire tangible property assets, the BESE has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the BESE.

**Note 5 - Due to Related Party**

The Foundation and Lake Charles Charter Academy Foundation, Inc. ("LCCAF") are related, as they share common board membership. As of June 30, 2017, the financial statements include an amount due to LCCAF in the amount of \$ 1,078,422.

**Note 6 - Bonds Payable**

a. Summary of Bonds Payable

Bonds payable at June 30, 2017 is comprised of the following bond issue:

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013; due in semi-annual installments beginning December 2016 through December 2043; interest payable semiannually at rates that range from 6.625% to 8.375%.	\$ 17,295,000
Less unamortized bond discount	(168,326)
Less unamortized bond issuance costs	<u>(458,399)</u>
	<u>\$ 16,674,275</u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Notes to Combined Financial Statements**  
**June 30, 2017**

**Note 6 - Bonds Payable (continued)**

The following is a summary of changes in bonds payable for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Tax-Exempt Educational Facilities Revenue Bonds, Series 2013	\$ 17,480,000	\$ -	\$ 185,000	\$ 17,295,000	\$ 200,000
Discount on Series 2013 Bonds	(168,451)	-	6,125	(162,326)	-
Bond issuance costs	(475,697)	-	17,298	(458,399)	-
	<u>\$ 16,835,852</u>	<u>\$ -</u>	<u>\$ 208,423</u>	<u>\$ 16,674,275</u>	<u>\$ 200,000</u>

b. Summary of Significant Bond Terms

**\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013** - Series 2013 tax-exempt bonds are for the purpose of (i) financing the acquisition, construction and equipping of Southwest Louisiana Charter Academy facilities, (ii) paying capitalized interest, (iii) funding a reserve fund, and (iv) paying a portion of the costs of issuance of the Series 2013 bonds. The bonds are payable in semi-annual principal installments beginning December 2016 through December 2043. Interest ranging from 6.625% to 8.375% is payable semiannually on the fifteenth day of June and December.

The bonds are subject to mandatory redemption at a redemption price equal to the principal amount plus accrued interest to the redemption date subject to certain events as outlined in the bond indenture. The bonds are not subject to a premium at optional redemption after December 15, 2023.

The annual debt service requirement for the Series 2013 Educational Facilities Revenue Bonds consists of:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 200,000	\$ 1,393,219	\$ 1,593,219
2019	215,000	1,379,803	1,594,803
2020	225,000	1,365,394	1,590,394
2021	240,000	1,350,156	1,590,156
2022	255,000	1,334,091	1,589,091
2023-2027	1,590,000	6,368,381	7,958,381
2028-2032	2,320,000	5,639,906	7,959,906
2033-2037	3,455,000	4,504,172	7,959,172
2038-2042	5,185,000	2,777,128	7,962,128
2043-2044	3,610,000	371,431	3,981,431
	<u>\$ 17,295,000</u>	<u>\$ 26,483,681</u>	<u>\$ 43,778,681</u>

**Note 6 - Bonds Payable (continued)**

The trust indenture requires reserve funds equal to \$ 1,594,678 for the Series 2013 bonds. As of June 30, 2017, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which requires Southwest Louisiana Charter Academy (“SWLCA”) to maintain a long-term debt service coverage ratio of 1.25 to 1.00. SWCLA did not meet this financial covenant because the long-term debt service coverage ratio for the year ended June 30, 2017 is as follows:

<u>Covenant</u>	<u>Requirement</u>	<u>Calculated</u>
Long-term debt service coverage ratio	At least 1.25	0.33

In order to secure the payment in full of the bonds and to secure the performance by the Foundation to all covenants, the Foundation grants the Louisiana Public Facilities Authority (the “Authority”) a security interest in substantially all their property and equipment. The Foundation also pledges to the Authority a security interest in all revenues, as well as the right, title and interest in the escrow accounts.

**Note 7 - Notes Payable**

The Foundation signed a 4.75% note payable (Loan 1) dated July 31, 2014 for the purchase of a facility for Lake Charles College Prep (“LCCP”). The note is with a financial institution and carries monthly principal and interest payments of \$ 17,068 through June 2019. Beginning in July 2019, there will be a rate adjustment which will occur every five years until July 2034. The rate adjustment will be tied to the then existing Wall Street Journal PRIME plus 1.75%. The Foundation signed a second 4.75% note payable (Loan 2) with Project Build a Future, Inc. for the purchase of the facility. The note has monthly principal and interest payments of \$ 5,042 through July 2019.

Balance as of June 30, 2017:	
Loan 1	\$ 2,393,194
Loan 2	119,778
Less current portion	<u>(149,146)</u>
Long-term portion	<u>\$ 2,363,826</u>

Loan 1 includes an acknowledgment that the financial institution is relying on the financial strength of Southwest Louisiana Charter Academy and Lake Charles Charter Academy to provide the support to cover any expected or unexpected losses associated with Foundation loan. This is not to say that they guarantee the debt of the Foundation but rather will acknowledge their commitment to cover the shortfalls projected.

The above-described notes payable are collateralized by the building in which the school operates.

Southwest Louisiana Charter Academy Foundation, Inc.  
Notes to Combined Financial Statements  
June 30, 2017

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**Note 7 - Notes Payable (continued)**

The scheduled maturities of the notes payable based on interest rates in effect as of June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	149,160
2019	156,402
2020	107,427
2021	107,376
2022	112,589
2023-2027	650,441
2028-2032	824,421
2033-2034	405,156
	<u>\$ 2,512,972</u>

Interest expense related to notes payable totaled \$ 123,071 for the year ended June 30, 2017.

**Note 8 - Income Taxes**

Southwest Louisiana Charter Academy Foundation, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

**Note 9 - Commitments**

**Management agreement:** The Foundation has formal agreements with Charter Schools USA at Southwest Louisiana, LLC and Charter Schools USA at Lake Charles Charter High School, LLC ("CSUSA") to manage, staff, and operate the Schools. For Southwest Louisiana Charter Academy, the fee ranges from \$ 1,422,391 for 2018 to \$ 1,911,575 for 2028 if the School obtains a letter grade of "B" or above and at lessor amounts for grades below "B" as defined in the agreement. For Lake Charles College Prep ("LCCP"), CSUSA shall be entitled to cost reimbursements and management fees (the "fee") for its services rendered pursuant to the agreement up to 15% of revenues if LCCP obtains a letter grade of "B" or above and at lessor amounts for grades below "B" as defined in the agreement. However, per the loan agreement for the LCCP facility (Note 7), the fee shall be deferred until LCCP reaches a minimum debt service coverage ratio of 1.25. The agreements have initial terms which coincide with their charters. The agreements will renew to coincide with the charter renewals unless terminated by either party.

For the year ended June 30, 2017, the amount of fees received by CSUSA from Southwest Louisiana Charter Academy was \$ 1,395,181 which represents fees for operating the School.

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Notes to Combined Financial Statements**  
**June 30, 2017**

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**Note 9 - Commitments (continued)**

As shown below, Lake Charles College Prep reached the minimum debt service coverage ratio needed to pay the fee to CSUSA. For the year ended June 30, 2017, the amount of fees charged by CSUSA was \$ 705,727, which represents fees for operating the school per the management agreement.

<u>Covenant</u>	<u>Fee activated at</u>	<u>Calculated</u>
Long-term debt service coverage ratio	1.25	2.30

Also at June 30, 2017, the Foundation had an amount due from the management company for \$ 80,742, and an amount due to the management company for \$ 547,909.

**Post-retirement benefits:** The Schools do not provide post-retirement benefits to retired employees.

**Note 10 - Employee Benefit Plan**

During the year ended June 30, 2016, the Foundation offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of their annual gross compensation, subject to certain limitations. The Schools contributed a matching amount of \$ 7,291 for the year ended June 30, 2017.

**Note 11 - Net Assets (Deficit)**

The Foundation ended the year with a net asset (deficit) of \$ (2,198,583). Included in this deficit is accumulated depreciation of \$ 2,944,505. The Foundation ended the year with cash and cash equivalents of \$ 1,363,013. Currently, the Foundation does not have any plans to restructure debt, dispose of assets, or obtain additional funding sources. It may however, upon approval of their management company, delay payments to the management company should SWLCA or LCCP have cash needs. SWLCA also has \$ 600,000 held by their trustee which is to be used for their debt service payments. This will help SWLCA's cash position in the current school year. The Foundation continues to focus on academic achievement as well as plans to increase enrollment which have included the addition of a Pre-K at SWLCA which was implemented in the current school year.

**Note 12 - Supplemental Cash Flow Information**

Supplemental Disclosure of Cash Flow Information

	<u>2017</u>
Cash received during the year for - Interest income	\$ 3,427
Cash paid during the year for - Interest expense	\$ 1,528,877



## SUPPLEMENTAL INFORMATION

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Financial Position (Deficit)**  
**June 30, 2017**

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 518,477	\$ 835,583	\$ 8,953	\$ -	\$ 1,363,013
Custodial funds - cash	40,738	20,235	-	-	60,973
Grants receivable	220,000	135,314	-	-	355,314
Due from related party	28,164	-	-	(28,164)	-
Due from management company	80,742	-	-	-	80,742
Other receivables	52,472	21,848	-	-	74,320
Prepaid items	61,232	9,393	-	-	70,625
Total current assets	<u>1,001,825</u>	<u>1,022,373</u>	<u>8,953</u>	<u>(28,164)</u>	<u>2,004,987</u>
<b>Property and Equipment, less accumulated depreciation</b>	<u>12,030,620</u>	<u>536,455</u>	<u>2,651,861</u>	<u>-</u>	<u>15,218,936</u>
<b>Other Assets:</b>					
Restricted cash equivalents	2,199,591	-	-	-	2,199,591
Deposits	8,626	7,583	-	-	16,209
Total other assets	<u>2,208,217</u>	<u>7,583</u>	<u>-</u>	<u>-</u>	<u>2,215,800</u>
Total assets	<u>\$ 15,240,662</u>	<u>\$ 1,566,411</u>	<u>\$ 2,660,814</u>	<u>\$ (28,164)</u>	<u>\$ 19,439,723</u>
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 84,503	\$ 94,987	\$ -	\$ -	\$ 179,490
Salaries and wages payable	298,612	155,309	-	-	453,921
Accrued interest payable	57,235	-	-	-	57,235
Due to management company	-	547,909	-	-	547,909
Due to related party	30,572	11,322	18,742	(28,164)	32,472
Custodial funds	40,738	20,235	-	-	60,973
Compensated absences	26,983	12,363	-	-	39,346
Notes payable	-	-	149,146	-	149,146
Bonds payable	200,000	-	-	-	200,000
Deferred revenue	-	20,648	-	-	20,648
Total current liabilities	<u>738,643</u>	<u>862,773</u>	<u>167,888</u>	<u>(28,164)</u>	<u>1,741,140</u>
<b>Noncurrent Liabilities:</b>					
Due to related party	-	1,045,950	-	-	1,045,950
Compensated absences	8,994	4,121	-	-	13,115
Notes payable	-	-	2,363,826	-	2,363,826
Bonds payable, net of unamortized discount and bond issuance costs	16,474,275	-	-	-	16,474,275
Total noncurrent liabilities	<u>16,483,269</u>	<u>1,050,071</u>	<u>2,363,826</u>	<u>-</u>	<u>19,897,166</u>
Total liabilities	<u>17,221,912</u>	<u>1,912,844</u>	<u>2,531,714</u>	<u>(28,164)</u>	<u>21,638,306</u>
<b>Net Assets (Deficit) - Unrestricted</b>	<u>(1,981,250)</u>	<u>(346,433)</u>	<u>129,100</u>	<u>-</u>	<u>(2,198,583)</u>
Total liabilities and net assets	<u>\$ 15,240,662</u>	<u>\$ 1,566,411</u>	<u>\$ 2,660,814</u>	<u>\$ (28,164)</u>	<u>\$ 19,439,723</u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
<b>Support and Revenues:</b>					
Support:					
Contributions	\$ 3,900	\$ 88,906	\$ 6,100	\$ -	\$ 98,906
Grants:					
Federal	938,297	371,601	-	-	1,309,898
State	20,578	4,790	-	-	25,368
Minimum Foundation Program	<u>6,812,127</u>	<u>4,244,823</u>	<u>-</u>	<u>-</u>	<u>11,056,950</u>
Total support	<u>7,774,902</u>	<u>4,710,120</u>	<u>6,100</u>	<u>-</u>	<u>12,491,122</u>
Revenues:					
Food services	507	29	-	-	536
Before and aftercare fees	12,499	-	-	-	12,499
Other revenue	72,050	23,607	265,312	(265,312)	95,657
Interest income	<u>3,415</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>3,427</u>
Total revenues	<u>88,471</u>	<u>23,636</u>	<u>265,324</u>	<u>(265,312)</u>	<u>112,119</u>
Total support and revenues	<u>7,863,373</u>	<u>4,733,756</u>	<u>271,424</u>	<u>(265,312)</u>	<u>12,603,241</u>
<b>Expenses:</b>					
Instruction	3,808,690	1,997,713	-	-	5,806,403
Support services:					
Pupil personnel services	361,288	192,288	-	-	553,576
Instruction related technology	112,493	66,123	-	-	178,616
Instructional staff training services	118,154	68,317	-	-	186,471
School Board	31,375	14,513	5,874	-	51,762
School administration	562,439	445,564	3,554	-	1,011,557
Fiscal services	1,403,049	711,198	-	-	2,114,247
Food services	286,172	155,057	-	-	441,229
Central services	18,175	12,910	-	-	31,085
Transportation	328,723	57,993	-	-	386,716
Operation of plant	971,203	855,061	49,708	(265,312)	1,610,660
Community services	42,024	2,715	4,248	-	48,987
Interest and amortization expense	<u>1,429,229</u>	<u>-</u>	<u>123,071</u>	<u>-</u>	<u>1,552,300</u>
Total expenses	<u>9,473,014</u>	<u>4,579,452</u>	<u>186,455</u>	<u>(265,312)</u>	<u>13,973,609</u>
Change in net assets	(1,609,641)	154,304	84,969	-	(1,370,368)
<b>Net Assets (Deficit), beginning of year</b>	<u>(371,609)</u>	<u>(500,737)</u>	<u>44,131</u>	<u>-</u>	<u>(828,215)</u>
<b>Net Assets (Deficit), end of year</b>	<u>\$ (1,981,250)</u>	<u>\$ (346,433)</u>	<u>\$ 129,100</u>	<u>\$ -</u>	<u>\$ (2,198,583)</u>

**Southwest Louisiana Charter Academy Foundation, Inc.**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
<b>Cash Flows from Operating Activities:</b>					
Change in net assets	\$ (1,609,641)	\$ 154,304	\$ 84,969	\$ -	\$ (1,370,368)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Provision for depreciation	715,509	190,617	49,708	-	955,834
Provision for amortization of bond costs	17,298	-	-	-	17,298
Provision for amortization of bond discount	6,125	-	-	-	6,125
(Increase) Decrease in:					
Grants receivable	(93,388)	(66,080)	-	-	(159,468)
Due from related party	(11,322)	18,587	-	(7,265)	-
Due from management company	(267,024)	-	-	-	(267,024)
Other receivables	(44,475)	(21,848)	-	-	(66,323)
Prepaid items	(55,945)	3,433	-	-	(52,512)
Deposits	-	(7,583)	-	-	(7,583)
Increase (Decrease) in:					
Accounts payable and accrued expenses	(544,484)	20,268	-	-	(524,216)
Salaries and wages payable	(27,463)	17,810	-	-	(9,653)
Accrued interest payable	(1,466)	-	-	-	(1,466)
Due to management company	-	556,128	-	-	556,128
Due to related party	(33,485)	128,108	-	7,265	101,888
Custodial funds	(21,569)	9,044	-	-	(12,525)
Compensated absences	15,147	3,014	-	-	18,161
Deferred revenue	-	(78,906)	-	-	(78,906)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	<u>(1,956,183)</u>	<u>926,896</u>	<u>134,677</u>	<u>-</u>	<u>(894,610)</u>
<b>Cash Flows from Investing Activities:</b>					
Payments for purchase of property and equipment	<u>(318,230)</u>	<u>(337,787)</u>	<u>-</u>	<u>-</u>	<u>(656,017)</u>
Net cash used in investing activities	<u>(318,230)</u>	<u>(337,787)</u>	<u>-</u>	<u>-</u>	<u>(656,017)</u>
<b>Cash Flows from Financing Activities:</b>					
Payments on bonds and notes payable	<u>(185,000)</u>	<u>-</u>	<u>(142,240)</u>	<u>-</u>	<u>(327,240)</u>
Net cash used in financing activities	<u>(185,000)</u>	<u>-</u>	<u>(142,240)</u>	<u>-</u>	<u>(327,240)</u>
Increase (decrease) in cash and cash equivalents and restricted cash equivalents	(2,459,413)	589,109	(7,563)	-	(1,877,867)
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, beginning of year, as restated</b>	<u>5,218,219</u>	<u>266,709</u>	<u>16,516</u>	<u>-</u>	<u>5,501,444</u>
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, end of year</b>	<u>\$ 2,758,806</u>	<u>\$ 855,818</u>	<u>\$ 8,953</u>	<u>\$ -</u>	<u>\$ 3,623,577</u>
Cash and cash equivalents	\$ 518,477	\$ 835,583	\$ 8,953	\$ -	\$ 1,363,013
Custodial funds - cash	40,738	20,235	-	-	60,973
Restricted cash equivalents	<u>2,199,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,591</u>
	<u>\$ 2,758,806</u>	<u>\$ 855,818</u>	<u>\$ 8,953</u>	<u>\$ -</u>	<u>\$ 3,623,577</u>