

**CHOICE FOUNDATION,
A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2020



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Independent Auditor's Report

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2020, 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 Choice Foundation, a Non-Profit Organization, as of June 30, 2020, 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.

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

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 11 and Note 16, the Foundation has suffered significant reductions in operations, is defending active and threatened litigation, has a net deficiency in net assets, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matters

The Foundation is currently involved in active and threatened litigation which may have material impact on future financial statements. See Note 11.

During June 2020, the Foundation voluntarily relinquished this charter to the Orleans Parish School Board (OPSB) and ceased all operations of its charter schools Lafayette Academy Charter School and Esperanza Charter School. The Foundation is currently in the process of evaluating and reconciling amounts payable to the agencies which may have a reversionary interest in funds and assets of the Foundation as part of its charter closing processes. See Note 1 and Note 16.

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.

The performance and statistical data included as Schedules 1 and 2 are not a required part of the basic financial statements, but are supplementary information required by Louisiana State law. 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. We have applied certain limited procedures, which are described in the independent accountant's report on applying agreed-upon procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Covington, LA
March 31, 2021

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2020

Assets	
Current Assets	
Cash	\$ 2,283,382
Grants Receivable	<u>683,103</u>
Total Current Assets	<u>2,966,485</u>
Total Assets	<u><u>\$ 2,966,485</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 478,927
Accrued Expenses	4,084
Accrued Contingent Liabilities	639,579
Note Payable	<u>1,888,900</u>
Total Current Liabilities	<u>3,011,490</u>
Net Deficiency	
Without Donor Restrictions	<u>(45,005)</u>
Total Net Assets	<u>(45,005)</u>
Total Liabilities and Net Assets	<u><u>\$ 2,966,485</u></u>

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
State and Local Public School Funding			
Minimum Foundation Program	\$ 15,562,076	\$ -	\$ 15,562,076
Federal Grants	2,117,265	-	2,117,265
Federal School Lunch Program	1,221,350	-	1,221,350
Other State Funding	280,108	-	280,108
Other Income	114,495	-	114,495
Private Grants and Donations	-	112,483	112,483
Interest Income	15,808	-	15,808
Net Assets Released from Restrictions	135,755	(135,755)	-
Total Support and Revenue	19,446,857	(23,272)	19,423,585
Expenses			
Program Services - Student Instruction and Activities			
Regular Education	8,711,737	-	8,711,737
Special Education	3,005,448	-	3,005,448
Pupil Support	872,886	-	872,886
Supporting Services			
Management and General	8,111,841	-	8,111,841
Total Expenses	20,701,912	-	20,701,912
Provision for Contingent Liabilities	639,579	-	639,579
Loss on Disposal of Property and Equipment	391,923	-	391,923
Total Expenses and Losses	21,733,414	-	21,733,414
Change in Net Assets	(2,286,557)	(23,272)	(2,309,829)
Net Assets, Beginning of Year	2,241,552	23,272	2,264,824
Net Deficiency, End of Year	\$ (45,005)	\$ -	\$ (45,005)

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
 NEW ORLEANS, LOUISIANA
 Statement of Functional Expenses
 For the Year Ended June 30, 2020

	Program Services - Student Instruction and Activities			Supporting Services	Total
	Regular Education	Special Education	Pupil Support	Management & General	
Expenses					
Salaries	\$ 5,489,837	\$ 2,123,921	\$ 413,473	\$ 3,101,553	\$ 11,128,784
Purchased Services	35,612	295,072	312,254	1,636,223	2,279,161
Purchased Transportation Service	1,178,420	265,570	-	-	1,443,990
Food Service	-	-	-	1,008,896	1,008,896
Materials and Supplies	808,760	6,172	26,858	71,997	913,787
Payroll Taxes	442,566	154,023	30,686	221,319	848,594
Employee Benefits	389,454	159,311	24,679	206,166	779,610
Insurance	-	-	-	456,585	456,585
Repairs and Maintenance	-	-	-	449,609	449,609
Utilities	-	-	-	300,012	300,012
Professional Development	114,614	1,379	640	134,646	251,279
Student Activities	137,658	-	54,918	-	192,576
Other Miscellaneous Expenses	9,126	-	-	135,370	144,496
Equipment and Furnishings	94,345	-	9,378	19,987	123,710
Renting and Leasing	-	-	-	103,213	103,213
Communications	-	-	-	97,181	97,181
Advertising and Marketing	-	-	-	71,082	71,082
Depreciation	-	-	-	47,877	47,877
Accounting/Audit Services	-	-	-	41,300	41,300
Dues and Fees	5,400	-	-	5,507	10,907
Travel	5,945	-	-	3,318	9,263
Total Expenses	\$ 8,711,737	\$ 3,005,448	\$ 872,886	\$ 8,111,841	\$ 20,701,912

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in Net Assets	\$ (2,309,829)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	47,877
Loss on Disposal of Property and Equipment	391,602
(Increase) Decrease in:	
Grants Receivable	(180,228)
Prepaid Expenses	94,812
Other Receivables	338,837
Increase (Decrease) in:	
Accounts Payable	350,261
Accrued Expenses	(543,632)
Accrued Contingent Liabilities	639,579
	<u>(1,170,721)</u>
Net Cash Used in Operating Activities	
Cash Flows from Financing Activities	
Payments on Lines of Credit	(951,350)
Proceeds from Lines of Credit	949,960
Proceeds from Note Payable	1,888,900
	<u>1,887,510</u>
Net Cash Provided by Financing Activities	
Net Increase in Cash	716,789
Cash, Beginning of Year	<u>1,566,593</u>
Cash, End of Year	<u><u>\$ 2,283,382</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	<u><u>\$ 21,124</u></u>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Choice Foundation, a Non-Profit Organization (the Foundation), incorporated on November 29, 2004, is an educational support institution organized to inform and educate citizens of Louisiana on how school choice initiatives can improve primary education in Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Lafayette Academy Charter School effective September 26, 2006. BESE granted the Foundation various extensions of Lafayette Academy Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in R.S. 17:3992 and 3998. During April 2017, the charter contract was transferred to Orleans Parish School Board OPSB and was converted to a Type 3B charter. In April 2019, the OPSB granted the Foundation a five-year renewal of Lafayette Academy Charter School's contract, which was scheduled to expire on June 30, 2024. During June 2020, the Foundation voluntarily relinquished this charter to the OPSB and ceased all operations of Lafayette Academy Charter School.

BESE approved the granting of a charter to the Foundation to operate Esperanza Charter School effective July 1, 2010. BESE granted the Foundation various extensions of Esperanza Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in R.S. 17:3992 and 3998. During April 2017, the charter contract was transferred to OPSB and was converted to a Type 3B charter, which was scheduled to expire on June 30, 2022. During June 2020, the Foundation voluntarily relinquished this charter to the OPSB and ceased all operations of Esperanza Charter School.

Through June 2020, the Foundation and its charter schools provided student instruction and activities as part of regular education, special education, and pupil support services programs.

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

Basis of Net Asset Presentation

The Foundation 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.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
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 Foundation are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

The activities of the Foundation and its charter schools are accounted for separately. The statement of financial position by school and statement of activities and changes in net assets by school include the accounts of Choice Foundation and the two aforementioned d/b/a schools. All significant inter-school transactions and balances have been eliminated. The schools and Choice Foundation are collectively referred to as the Foundation.

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, 2020 include purchased services. There were no expenses that were allocated based on time and effort during the year ended June 30, 2020.

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 Foundation's bank accounts from donations received from individuals or entities who specified the use of the contribution. At June 30, 2020, there were no restricted cash balances.

Statement of Cash Flows

For purposes of the statement of cash flows, the Foundation considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2020, the Foundation had no cash equivalents.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Grants Receivable

The Foundation 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, 2020, 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 Foundation 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 Foundation has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related costs by the Foundation, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The Foundation's primary source of funding was through the State's Minimum Foundation Program (MFP). The Foundation 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 Foundation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
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 Foundation:

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

Income Taxes

The Foundation 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 Foundation'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 Foundation 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 Foundation 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 Foundation'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 Foundation with non-public funds will remain the property of the Foundation. 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 Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

During the year ended June 30, 2020, the Foundation's charter agreements were voluntarily relinquished and, therefore, not renewed. As such, remaining funds and assets are in the process of being transferred, or have been subsequently transferred, to the appropriate agencies. The Foundation is currently in the process of evaluating and reconciling amounts payable to the respective agencies as part of its charter closing processes.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
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 Foundation 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 Foundation's financial reporting. The adoption of this standard resulted in no significant changes in the way the Foundation 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 Foundation implemented ASU 2014-09 using a modified retrospective method of application to all contracts. The Foundation performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for student activity fees, the Foundation 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.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 2. Concentrations

The Foundation received 80% of its revenues for the year ended June 30, 2020 from the State of Louisiana, subject to its charter agreement with the State. The Foundation received 18% of its revenues for the year ended June 30, 2020 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 Foundation'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 Foundation's deposits may not be recovered. The Foundation periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2020, the Foundation's bank balances were \$2,524,831. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$250,000. The remaining deposits of \$2,274,831 were uninsured. The Foundation has not experienced any losses as a result of this practice.

Note 3. Cash

The Foundation's cash (book balance) at June 30, 2020 was \$2,283,382, which is stated at cost and approximates market.

Note 4. Grants Receivable

As of June 30, 2020, grants receivable totaled \$683,103, which were receivables for federal and state grants passed through the Louisiana Department of Education, Orleans Parish School Board, and New Schools for New Orleans. The stated balance is considered to be fully collectible.

Note 5. Property and Equipment

Depreciation expense totaled \$47,877 for the year ended June 30, 2020.

As a result of the Foundation's relinquishment of its charters, substantially all of the Foundations property and equipment was disposed. Any assets remaining at the individual charter schools' facilities were transferred to the new charter school operator. During the year ended June 30, 2020, the Foundation recorded a loss on disposal of \$391,923.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 6. Retirement Plan

Effective July 1, 2011, the Foundation began offering a 401(k) plan to employees age 21 or older who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. Through October 2019, the Foundation provided a 3% safe harbor match and matched up to 2% of elective contributions determined from year to year. During November 2019, the Foundation voluntarily amended its plan to terminate the safe harbor match and the elective contribution match. The Foundation's match expense for the year ended June 30, 2020, amounted to \$176,436.

Note 7. Leases

Effective September 26, 2006, the Foundation entered into an agreement with the Recovery School District of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is a component of Lafayette Academy Charter School's charter agreement and was scheduled to expire on June 30, 2024. This lease agreement was terminated as a result of the Foundation's relinquishment of the Lafayette Academy Charter School charter agreement.

Effective July 1, 2015, the Foundation entered into an agreement with the Recovery School District of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 4407 South Carrollton Avenue, New Orleans, Louisiana 70119. The lease agreement is a component of Esperanza Charter School's charter agreement and was scheduled to expire on June 30, 2022. This lease agreement was terminated as a result of the Foundation's relinquishment of the Esperanza Charter School charter agreement.

During 2018, the Foundation entered into an agreement with the OPSB of the State of Louisiana which allows the Foundation 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 was scheduled to expire on June 30, 2021. The lease called for payments based on a use fee and participation in OPSB's Per Pupil Unit Cost Program. This lease agreement was terminated as a result of the Foundation's relinquishment of the Lafayette Academy Charter School charter agreement.

Alterations made by the Foundation shall not diminish the value of the property at the time the alterations are approved, unless agreed upon by the Recovery School District of the State of Louisiana and the Foundation. Any physical additions or improvements to the property will become property of the State of Louisiana, Department of Education, Recovery School District. The Recovery School District of the State of Louisiana may require, at the expense of the Foundation, to remove these physical additions or improvements. The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Leases (Continued)

Use of the property is not recorded as an in-kind contribution from, or related rent expense to, the Recovery School District of the State of Louisiana. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Note 8. Lines of Credit

Lafayette Academy Charter School has a \$250,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2020), adjusted daily. The line is unsecured. The balance on the line of credit was \$-0- at June 30, 2020.

Esperanza Charter School has a \$175,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2020), adjusted daily. The line is unsecured. The balance on the line of credit was \$-0- at June 30, 2020.

Note 9. Minimum Foundation Program (MFP)

The OPSB provides funding to the State of Louisiana, collected from local agencies, which passes through to the Foundation 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 Foundation 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, 2020, the Foundation recognized state and local MFP revenue of \$15,237,374.

The Foundation received certain special distributions from OPSB related to MFP true-up calculations performed by OPSB for previous years. For the year ended June 30, 2020, the Foundation recognized revenue of \$324,702 related to these distributions.

The OPSB charges and withholds an administration fee from MFP distributions. For the year ended June 30, 2020, the Foundation recognized administration fee expense of \$310,936 related to MFP distributions.

The Foundation was paid state-mandated property and building insurance, which was withheld from MFP distributions. For the year ended June 30, 2020, the Foundation recognized administration fee expense of \$187,863 related to MFP distributions.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 10. 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 Foundation. These restrictions are considered to expire when payments for restricted purposes are made. There were no net assets with donor restrictions at June 30, 2020.

Note 11. Commitments and Contingencies

On October 19, 2017, a judgment was rendered against the Foundation in a lawsuit related to an injured student. Damages awarded include general damages, loss consortium, special damages, and medical expenses. The total estimated cost of the judgment was \$417,249 and was recorded on the statement of financial position as of June 30, 2018. During May 2019, an appellate court vacated the judgment against the Foundation. The previously accrued judgment was reversed and removed from the statement of financial position and the effects of the reversal were recorded as other income during the year ended June 30, 2019. The Foundation's insurance carrier settled this case during December 2020.

The Foundation is currently pursuing claims against various defendants in the case captioned *Choice Foundation v. Law Industries*, No. 2019-4985, Orleans Parish Civil District Court. Any estimated recoverable amount has not been reflected in the Foundation's financial statements.

The Foundation is currently defending claims against certain cases in Orleans Parish Civil District Court. The Foundation is currently also responding to various forms of threatened litigation, primarily involving wrongful termination. In the opinion of management of the Foundation, all such matters are expected to be fully or partially covered by insurance, subject to deductibles and policy coverage, and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of the Foundation if disposed of unfavorably. The Foundation has recorded an estimated provision for losses and corresponding liability totaling \$639,579 associated with pending litigation, threatened litigation, and insurance deductibles as of June 30, 2020.

Note 12. Risks, Uncertainties, and Risk Management

The Foundation 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, 2020 nor subsequent to year end and through the date of the report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 12. Risks, Uncertainties, and Risk Management (Continued)

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 Foundation operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, at this time, the Foundation 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 Foundation's concentrations due to significant local, state, and federal funding make it reasonably possible that the Foundation 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 13. Charter Management Organization (CMO) Fees

As the administrator of the schools, Choice Foundation incurs and records overhead costs on behalf of all of its schools. Management of the Foundation 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, 2020 have been eliminated from other income and management and general expenses on the accompanying statement of activities and changes in net assets.

Note 14. Liquidity and Availability

The Foundation's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Foundation 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 Foundation has available. In addition, the Foundation operates within a budget to monitor sources and uses of funds throughout the year. As reported in Note 8, the Foundation has access to certain lines of credit as part of its availability of funds.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 14. Liquidity and Availability (Continued)

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	\$	2,283,382
Grants Receivable		<u>683,103</u>
Total	\$	<u>2,966,485</u>

Note 15. Note Payable - Paycheck Protection Program (PPP) Loan

On April 28, 2020, The Foundation entered into a U.S. Small Business Association (SBA) Payroll Protection Program loan (PPP loan) with Liberty Bank in the amount of \$1,888,900, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon the Foundation'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 Foundation. The Foundation intends to apply for forgiveness of the PPP loan with respect to these covered expenses. To the extent that all or part of the PPP loan is not forgiven, the Foundation will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default. The PPP loan is currently recorded as note payable on the statement of financial position.

Note 16. Going Concern Basis of Accounting and Management Plans

During June 2020, the Foundation voluntarily relinquished this charter to the OPSB and ceased all operations of its charter schools Lafayette Academy Charter School and Esperanza Charter School. Substantially all of its assets were relinquished as the Foundation is no longer operating as a CMO. The Foundation is in the process of evaluating and reconciling amounts payable to the agencies which may have a reversionary interest in funds and assets. Additionally, the Foundation is also defending active and threatened litigation and has a deficiency in net assets, partially due to contingency accruals. As a result of the aforementioned, future cash flow has been materially impacted.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 16. Going Concern Basis of Accounting and Management Plans (Continued)

The following matters have been considered by management in determining that the going concern basis of accounting is appropriate for the preparation of the financial statements:

- The Foundation's board has elected a new board and has established an Executive Committee to lead it through its next chapter, including establishing its new mission, vision, and values while supporting students and families in New Orleans and surrounding areas. The Executive Committee has been meeting at least twice per month and the full board has been meeting at least once per month subsequent to year end.
- The Foundation's management team has been reduced to consists of only five (5) part-time employees, materially reducing future cash flow need. Future obligations are not expected to be significant.
- The Foundation has established reserves for all known significant future obligations, including insurance, litigation, and any reversionary interests in its funds and assets.
- There have been no new legal actions brought against the Foundation related to its operations subsequent to year end and through current date.
- The Foundation's board and management expects that its PPP loan will be forgiven during 2021. See Note 15.
- The Foundation's board and management are currently pursuing damages in civil court using an attorney who is performing work on a pro-bono basis. See Note 11.

It is the opinion of management and the board that these plans are alleviating any adverse effect of conditions or events that raise substantial doubt about the Foundation's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary related to the recoverability or classification of recorded assets or the amounts or classification of liabilities in the event management's plans do not continue to be successful.

Note 17. Related Parties

During July 2019, the Foundation entered into an agreement with Community Academies to outsource certain academic leadership roles for the 2020 fiscal year. The Foundation paid Community Academies \$60,000 under this agreement during the year ended June 30, 2020.

During 2020, Community Academies also paid certain shared expenses on behalf of the Foundation for the Lafayette Middle campus, including two (2) employees and various educational expenses. This activity totaled \$136,030 and is included in accounts payable as of June 30, 2020.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 31, 2021, 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.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Choice Foundation, a Non-Profit Organization (the Foundation), the Louisiana Department of Education, and the Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Foundation for the fiscal year ended June 30, 2020, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. Management of the Foundation is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

Findings: None.

Class Size Characteristics (Schedule 2)

1. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of ten classes to the October 1st roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None.

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

2. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Findings: For one (1) teacher selected, the teacher's education level on the PEP report did not agree to the teacher's personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

3. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Findings: None.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Foundation, as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
March 31, 2021

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2020**

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.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2020**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 4,999,340	
Other Instructional Staff Activities	1,216,443	
Instructional Staff Employee Benefits	961,814	
Purchased Professional and Technical Services	467,127	
Instructional Materials and Supplies	464,951	
Instructional Equipment	71,829	
	<u> </u>	
Total Teacher and Student Interaction Activities		\$ 8,181,504
Other Instructional Activities		112,921
Pupil Support Services	477,417	
Less: Equipment for Pupil Support Services	<u>(9,378)</u>	
Net Pupil Support Services		468,039
Instructional Staff Services	2,378	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		2,378
School Administration	1,313,255	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>1,313,255</u>
Total General Fund Instructional Expenditures		<u>\$ 10,078,097</u>
Total General Fund Equipment Expenditures		<u>\$ 62,451</u>

Certain Local Revenue Sources

Local Taxation Revenue

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-
	<u> </u>
Total Local Taxation Revenue	<u>\$ -</u>

Local Earnings on Investment in Real Property

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
	<u> </u>
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
	<u> </u>
Total State Revenue in Lieu of Taxes	<u>\$ -</u>

Nonpublic Textbook Revenue	<u>\$ -</u>
Nonpublic Transportation Revenue	<u>\$ -</u>

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
 NEW ORLEANS, LOUISIANA
 Class Size Characteristics
 As of October 1, 2019

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	141	33%	138	33%	144	34%	0	0%
Elementary Activity Classes	48	63%	8	10%	21	27%	0	0%

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

SUPPLEMENTARY INFORMATION

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2020**

<u>Board Members</u>	<u>Compensation</u>
James Swanson, Board Chair	\$ -0-
Anthony Carter, Vice Chair	\$ -0-
Hans Jonassen, Treasurer	\$ -0-
Jesse Stewart, Secretary (7/1/2019 - 12/31/2019), resigned during the year	\$ -0-
Kate Werner, Secretary (1/1/2020 - 6/30/2020)	\$ -0-
Donald Beery, resigned subsequent to year end	\$ -0-
Greg Browne	\$ -0-
Blair Hodgson, resigned subsequent to year end	\$ -0-
Fritz Gomila, resigned subsequent to year end	\$ -0-
Wendy Lodrig	\$ -0-
Marc Napolean, resigned subsequent to year end	\$ -0-
Robert Worley	\$ -0-

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended June 30, 2020

Agency Heads
James Fulton, Executive Director

	James Fulton, Executive Director
Purpose	Amount
Salary	\$229,515
Benefits - Insurance	\$3,330
Benefits - Retirement	\$4,603
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
Choice Foundation, a Non-Profit Organization
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 Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2020, 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 March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation'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 Foundation'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

Covington, LA
March 31, 2021

**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
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Choice Foundation, a Non-Profit Organization's (the Foundation) 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 Foundation's major federal programs for the year ended June 30, 2020. The Foundation'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 Foundation's compliance for each of the Foundation'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 Foundation'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 Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation 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, 2020.

Report on Internal Control Over Compliance

Management of the Foundation 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 Foundation'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 Foundation'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

Covington, LA
March 31, 2021

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA 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	\$ 428,415
National School Lunch Program	10.555	NONE	<u>763,385</u>
Total Child Nutrition Cluster			1,191,800 *
Child and Adult Care Food Program	10.558	NONE	<u>29,549</u>
Total United States Department of Agriculture			<u>1,221,349</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	1,056,065
Title I Grants to Local Educational Agencies - Direct Student Services	84.010A	S010A190018	<u>26,004</u>
Total Title I, Part A			1,082,069
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA Part B)	84.027A	H027A190033	317,107
Special Education - High Cost Services (IDEA Part B)	84.027A	H027A190033	3,914
Special Education - Preschool Grants (IDEA Preschool)	84.173A	H173A190082	<u>2,701</u>
Total Special Education Cluster (IDEA)			323,722
Title III English Language Acquisition State Grants	84.365A	S365A190018	33,397
Title II Supporting Effective Instruction State Grants	84.367A	S367A190017	124,609
Striving Readers Comprehensive Literacy Grant Program	84.371C	S371C190018	316,884
Title IV Student Support and Academy Enrichment	84.424A	S424A190019	<u>63,958</u>
Total United States Department of Education			<u>1,944,639</u>
Total Expenditures of Federal Awards			<u>\$ 3,165,988</u>

* Denotes Major Program

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Note 1. General

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of the federal awards of Choice Foundation, a Non-Profit Organization (the Foundation). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2020. 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 Foundation and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Foundation has met the qualifications for the respective grants.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the Foundation. 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.

Federal Revenues not Considered Federal Awards

The Foundation recorded federal Medicaid revenues and related expenses of \$172,627 that were not considered federal awards. As such, this amount was excluded from this schedule.

Note 3. Indirect Cost Rates

The Foundation 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.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
 NEW ORLEANS, LOUISIANA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020**

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 | |
| 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 | Yes |

Part II - Financial Statement Findings Section

None.

Part III - Federal Award Findings and Questioned Costs Section

None.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020**

Part I - Financial Statement Findings Section

None.

Part II - Federal Award Findings and Questioned Costs Section

None.