

Shreveport Charter Foundation, Inc.

FINANCIAL STATEMENTS

June 30, 2018 and 2017



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Shreveport Charter Foundation, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Shreveport Charter Foundation, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 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 auditors' 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 and appropriate 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 Shreveport Charter Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation Paid to the Board of Trustees and Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of Shreveport Charter Foundation, Inc.'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 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 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 Shreveport Charter Foundation, Inc.'s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
December 21, 2018



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INDEPENDENT AUDITORS' 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

To the Board of Trustees
Shreveport Charter Foundation, Inc.
Shreveport, 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 Shreveport Charter Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shreveport Charter Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Charter Foundation, Inc.'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Charter Foundation, Inc.'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 determination of financial statement amounts. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-002.

Shreveport Charter Foundation Inc.'s Response to Findings

Shreveport Charter Foundation Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Shreveport Charter Foundation Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

December 21, 2018

Shreveport Charter Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2018	2017
Assets		
Current assets		
Cash	\$ 2,255,217	\$ 1,809,510
Grant and other receivables	82,742	101,503
Prepaid expenses and other current assets	75,847	4,557
Total current assets	2,413,806	1,915,570
Property and equipment		
Real estate and buildings held under capital leases	28,813,183	28,813,183
Furniture, fixtures and equipment held under capital leases	1,767,626	1,597,065
Less: accumulated amortization	(5,256,800)	(3,780,522)
Furniture, fixtures and equipment	910,550	749,951
Less: accumulated depreciation	(545,367)	(373,227)
Net property and equipment	25,689,192	27,006,450
Other assets		
Deposits	36,033	79,174
Restricted cash for purchase of fixed assets	43,195	213,756
Total other assets	79,228	292,930
Total assets	\$ 28,182,226	\$ 29,214,950
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable	\$ 201,726	\$ 83,662
Capital lease payable, current	439,712	344,177
Accrued expenses	1,019,380	780,857
Deferred revenue	2,176	-
Total current liabilities	1,662,994	1,208,696
Long-term liabilities		
Interest payable	1,267,816	1,102,807
Capital lease payable, long-term	29,277,045	29,716,757
Total long-term liabilities	30,544,861	30,819,564
Total liabilities	32,207,855	32,028,260
Net assets (deficit)		
Unrestricted	(4,025,629)	(2,813,310)
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets (deficit)	(4,025,629)	(2,813,310)
Total liabilities and net assets (deficit)	\$ 28,182,226	\$ 29,214,950

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

Shreveport Charter Foundation, Inc.
Statement of Activities

<i>For the year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Minimum Foundation Program	\$ 12,658,626	\$ -	\$ -	\$ 12,658,626
Federal grants	629,592	-	-	629,592
Other income	260,062	-	-	260,062
Total support and revenue	13,548,280	-	-	13,548,280
Expenses				
Program services				
Regular program expenditures	6,133,331	-	-	6,133,331
Special education programs	341,541	-	-	341,541
Other instructional programs	205,717	-	-	205,717
Pupil support services	313,526	-	-	313,526
Instructional staff services	19,983	-	-	19,983
School administration	1,097,008	-	-	1,097,008
Operation and maintenance of plant services	1,199,210	-	-	1,199,210
Food service operations	477,706	-	-	477,706
Interest expense	3,119,399	-	-	3,119,399
Management and general				
Business services	120,828	-	-	120,828
General administration	1,714,511	-	-	1,714,511
Central services	17,839	-	-	17,839
Total expenses	14,760,599	-	-	14,760,599
Change in net assets	(1,212,319)	-	-	(1,212,319)
Net assets (deficit), beginning of period	(2,813,310)	-	-	(2,813,310)
Net assets (deficit), end of period	\$ (4,025,629)	\$ -	\$ -	\$ (4,025,629)

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

Shreveport Charter Foundation, Inc.
Statement of Activities

<i>For the year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Minimum Foundation Program	\$ 11,865,220	\$ -	\$ -	\$ 11,865,220
Federal grants	319,208	-	-	319,208
Other income	384,244	-	-	384,244
Total support and revenue	12,568,672	-	-	12,568,672
Expenses				
Program services				
Regular program expenditures	5,832,558	-	-	5,832,558
Special education programs	300,054	-	-	300,054
Other instructional programs	225,375	-	-	225,375
Pupil support services	220,262	-	-	220,262
Instructional staff services	12,650	-	-	12,650
School administration	993,289	-	-	993,289
Operation and maintenance of plant services	1,106,196	-	-	1,106,196
Food service operations	449,794	-	-	449,794
Interest expense	2,780,467	-	-	2,780,467
Management and general				
Business services	152,974	-	-	152,974
General administration	2,545,141	-	-	2,545,141
Central services	10,149	-	-	10,149
Total expenses	14,628,909	-	-	14,628,909
Change in net assets	(2,060,237)	-	-	(2,060,237)
Net assets (deficit), beginning of period	(753,073)	-	-	(753,073)
Net assets (deficit), end of period	\$ (2,813,310)	\$ -	\$ -	\$ (2,813,310)

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

Shreveport Charter Foundation, Inc.
Statements of Cash Flows

<i>For the years ended June 30,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,212,319)	\$ (2,060,237)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,648,418	1,552,648
(Increase) decrease in		
Grant and other receivables	18,761	(98,639)
Prepaid expenses and other current assets	(71,290)	34,702
Deposits	4,983	(5,482)
Increase (decrease) in		
Accounts payable	118,064	(84,350)
Accrued expenses	238,523	15,040
Deferred revenue	2,176	-
Interest payable	165,009	1,062,249
Net cash provided by operating activities	912,325	415,931
Cash flows from investing activities		
Purchase of property and equipment	(293,001)	(235,884)
Cash restricted for purchase of fixed assets	170,560	(213,756)
Net cash used in investing activities	(122,441)	(449,640)
Cash flows from financing activities		
Payments on capital leases	(344,177)	(210,743)
Cash advanced under capital lease	-	213,756
Net cash (used in) provided by financing activities	(344,177)	3,013
Net increase (decrease) in cash	445,707	(30,696)
Cash - beginning of period	1,809,510	1,840,206
Cash - end of period	\$ 2,255,217	\$ 1,809,510

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 2,994,949	\$ 1,832,287
Noncash operating and investing activities		
Increase in property held under capital leases	\$ -	\$ 17,350,860
Increase in capital lease payable	\$ -	\$ 17,350,860

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

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shreveport Charter Foundation, Inc. (the Foundation), a Louisiana not-for-profit corporation, was formed on February 27, 2012, exclusively for educational purposes. The Foundation has entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the Magnolia School of Excellence (the Charter School) for students in Caddo Parish, Louisiana. The lower campus includes grades kindergarten through fifth grade. The upper campus includes grades six through ten. The Charter School will expand to serve students from kindergarten to eleventh grade in the 2018 – 2019 school year. The original charter agreement with CPSB dated February 5, 2013 was for an initial term of five years. During the current year the charter agreement was renewed for an additional three years.

The Foundation is an independent nonprofit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the Foundation is a component unit of CPSB and the Foundation's financial statements are included in the CPSB's basic financial statements as a component unit.

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

Financial Statement Presentation

The Foundation has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for-Profit Entities." Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein, may be classified and reported as follows, as financial circumstances require:

Unrestricted net assets - These are net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the Foundation for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

**NOTE 1: NATURE OF ORGANIZATION AND 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. All significant receivables, payables and other liabilities are reflected.

Cash and Cash Equivalents

Cash consists of demand deposit balances and represents cash available for general operating purposes. The Foundation classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Foundation did not have any cash equivalents at June 30, 2018 and 2017.

Grant and Other Receivables

The receivables are stated at the amount management expects to collect. The financial statements do not include an estimate for an allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The Foundation received various 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 prior to year-end.

Revenue Recognition

All 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 restrictions.

Revenues from federal grants are recorded when the Foundation has a right to reimbursement under the 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 is through the Minimum Foundation Program (MFP), passed through from CPSB and funded by the State Public School Fund. CPSB withholds 2% of the gross funding for the fiscal year.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

All acquisitions of property and equipment and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. 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 (three to thirty years).

Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time the Charter agreement is terminated.

Depreciation expense, which includes amortization expense of capital lease assets, incurred for the years ended June 30, 2018 and 2017, was \$1,648,418 and \$1,552,648, respectively.

Leasing Arrangements and Amortization

The Foundation leases the school buildings and substantially all of the furniture, fixtures and equipment utilized by the Charter School under capital leases as described in Note 5. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of the related lease terms or the estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Louisiana state income taxes. However income, if any, from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income.

The Foundation follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's income tax returns. Management evaluated the Foundation's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Compensated Absences

Employees may accrue between 8 and 26 days per year of paid time off depending on length of service and classification. A maximum of 5 days (40 hours) of paid time off can be carried over from year to year. Earned but unused paid time off is eligible for payment upon separation from service up to a maximum of 40 hours. The liability for compensated absences includes salary-related benefits, where applicable.

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

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2018 and 2017 was approximately \$109,700 and \$137,500, respectively.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU No. 2016-08, which clarifies the implementation guidance on principal versus agent considerations. The Foundation has not yet selected a transition method and is currently evaluating the effects the standard will have on its financial statements.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities 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 statement of income. The new standard is effective for fiscal years beginning after December 15, 2019, 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 currently evaluating the impact of its pending adoption of the new standard on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and related notes presented by a not-for-profit entity to: (a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes, (b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes, (c) provide enhanced disclosures in the notes to the financial statements, (d) report investment return net of external and direct internal investment expenses and (e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the Foundation for the year ending June 30, 2019. Early application is permitted. Retrospective application is required for many provisions of this guidance. The Foundation is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

NOTE 2: CONCENTRATIONS AND CREDIT RISK

The Foundation received approximately 93% and 94% of its total revenues from the State of Louisiana, through its charter school contract with CPSB for the years ended June 30, 2018 and 2017 respectively.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. At June 30, 2018, the Foundation had approximately \$2,045,000 in uninsured deposits. Management believes the risk associated with these excess deposits is minimal.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

NOTE 3: GRANT AND OTHER RECEIVABLES

At June 30, 2018 and 2017, grant and other receivables totaled \$82,742 and \$101,503, respectively, and are considered fully collectible.

NOTE 4: ACCRUED EXPENSES

<i>June 30,</i>	2018	2017
Payroll and benefits	\$ 986,510	\$ 727,160
Accrued interest, current	-	40,559
Other	32,870	13,138
	\$ 1,019,380	\$ 780,857

NOTE 5: CAPITAL LEASES

Following is a summary of assets held under capital leases:

<i>June 30,</i>	2018	2017
Real estate and buildings	\$ 28,813,183	\$ 28,813,183
Furniture, fixtures and equipment	1,767,626	1,597,065
Property held under capital leases	30,580,809	30,410,248
Less: accumulated amortization	(5,256,800)	(3,780,522)
	\$ 25,324,009	\$ 26,629,726

<i>June 30,</i>	2018	2017
Restricted cash for purchase of fixed assets	\$ 43,195	\$ 213,756

During negotiation of the capital lease between Red Apple at Magnolia Upper, LLC and the Foundation, Red Apple agreed to lease furniture, fixtures and equipment in the amount of \$1,030,000 to the Foundation. Red Apple fulfilled its commitment under the lease by depositing cash in the amount of \$1,030,000 into the Foundation's bank account. At June 30, 2018, furniture, fixtures and equipment in the amount of \$986,805 had been purchased and placed in service by the Foundation. The remaining cash at June 30, 2018, in the amount of \$43,195, is restricted for the purchase of furniture, fixtures and equipment under the capital lease agreement with Red Apple. Cash restricted for the purchase of fixed assets is reported with other long term assets on the accompanying financial statements.

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

NOTE 5: CAPITAL LEASES (CONTINUED)

The Foundation had the following capital leases payable:

<i>June 30,</i>	2018	2017
Capital lease payable to Red Apple at Magnolia, LLC for real property in the original amount of \$12,278,567, with a commencement date of July 22, 2013, with an effective interest rate of 10.147%, payable in monthly payments ranging from \$65,386 to \$148,788, including interest, maturing on June 1, 2033.	\$ 12,063,970	\$ 12,216,597
Capital lease payable to Red Apple at Magnolia, LLC for equipment in the original amount of \$780,821, dated June 30, 2013, with an effective interest rate of 5.845%, payable in monthly payments of \$4,121 from July 2013 to June 2014, and \$14,886 from July 2014 to June 2019, including interest, maturing May 31, 2019.	173,107	336,411
Capital lease payable to Red Apple at Magnolia Upper, LLC for real property in the original amount of \$16,534,616, with a commencement date of August 1, 2016, with an effective interest rate of 10.094%, payable in monthly payments ranging from \$32,635 to \$188,589, including interest, maturing on July 31, 2046.	16,501,981	16,501,981
Capital lease payable to Red Apple at Magnolia Upper, LLC for equipment in the amount of \$1,030,000, dated August 1, 2016, with an effective interest rate of 8.78%, payable in monthly payments ranging from \$8,808 to \$8,993, including interest, maturing July 31, 2036.	977,699	1,005,945
Total capital leases payable	29,716,757	30,060,934
Less current maturities	(439,712)	(344,177)
Long-term capital leases payable	\$ 29,277,045	\$ 29,716,757

Scheduled annual lease payments for the fiscal years ending June 30, are:

2019	\$ 3,491,401
2020	3,350,254
2021	3,392,467
2022	3,435,364
2023	3,483,084
Thereafter	65,602,418
Total minimum lease payments	82,754,988
Less interest	(53,038,231)
Net minimum lease payments	\$ 29,716,757

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

NOTE 5: CAPITAL LEASES (CONTINUED)

The Foundation's capital leases with Red Apple at Magnolia Upper, LLC dated August 1, 2016 include restrictive covenants that require, among other items, the Foundation to have an annual rent coverage ratio of at least 1.00 to 1.00 each quarter and unrestricted immediately available funds on hand each June 30 in an amount at least equal to the Days Cash on Hand Requirement for the applicable period.

The Foundation is required to calculate the annual rent coverage ratio quarterly based on a rolling twelve month period. Annual rent coverage ratio is determined by dividing income available for annual rent by maximum annual rent. Income available for annual rent is the excess of charter revenues over operating expenses as determined from audited financial statements provided that gains and losses on investments will not be recognized in the calculation of income available for annual rent. Maximum annual rent means the highest rent due under the lease for any current or succeeding fiscal year or other specified period. At June 30, 2018, the Foundation did not meet the annual rent coverage ratio covenant. Under the terms of the capital lease, the failure to meet the annual rent coverage ratio may be considered an event of default. The investors waived the breach of the annual rent coverage ratio covenant for the fiscal year ending June 30, 2018. The calculation as of June 30, 2018 is included below.

Annual Rent Coverage Ratio Covenant
As of June 30, 2018

Charter revenues	13,548,280
Less: Internal Funds Revenue	(155,928)
Operating Expenses	(14,760,599)
Add: Internal Funds Expense	<u>187,885</u>
Change in Unrestricted Net Assets	(1,180,362)
Plus:	
Interest	3,119,399
Depreciation and Amortization	<u>1,648,418</u>
Income Available for Annual Rent	3,587,455
Maximum Annual Rent	3,661,989
Annual Rent Coverage Ratio	0.98
Required Rent Coverage Ratio	1.00

Shreveport Charter Foundation, Inc.
Notes to the Financial Statements

NOTE 5: CAPITAL LEASES (CONTINUED)

The Days Cash on Hand Requirement for the calculation date of June 30, 2018 through and including December 31, 2018 is an amount equal to at least thirty-five (35) days of Average Daily Expenses. Average Daily Expenses include operating expenses, long term debt service requirements, and payments of base rent under the lease and exclude depreciation and other non-cash items and deferred management fees for the twelve month period. At June 30, 2018 the Foundation met the Days Cash on Hand Requirement. The calculation as of June 30, 2018 is included below.

Liquidity Covenant - Computation of Days Cash on Hand
As of June 30, 2018

Annual Total Expenses	14,760,599
Less: Internal Funds Expense	(187,885)
Less: Depreciation	(1,648,418)
Add: Principal Payments	<u>344,177</u>
Adjusted Annual Total Expenses	13,268,473
Average Daily Expenses (based on 360 day year)	36,857
Days of Cash Required	<u>35</u>
Daily Cash Required	<u>1,289,995</u>
Cash Available as of June 30, 2018	2,255,217
Less: Internal Fund Cash	<u>(29,227)</u>
Adjusted Cash Available as of June 30, 2018	<u>2,225,990</u>
Days of Cash on Hand	60

Property with a net book value of \$25,324,009 as of June 30, 2018 held under capital leases with Red Apple at Magnolia, LLC and Red Apple at Magnolia Upper, LLC has been pledged as security on Red Apple at Magnolia Upper, LLC (Landlord) financing.

NOTE 6: RISK MANAGEMENT

The Foundation is exposed to various risks of loss from torts; thefts 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. In the opinion of management, insurance coverage is adequate to cover any material anticipated losses.

There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2018 and 2017.

NOTE 7: COMMITMENTS

Management agreement

The Foundation entered into a management agreement on February 5, 2013, with Charter Schools USA at Shreveport, LLC (CSUSA), a Florida limited liability company to develop, manage, staff and operate the Charter School. The term of the agreement was for an initial five year term consistent with the term of the charter contract with CPSB. The agreement was renewed for an additional three year term consistent with the term of the charter contract renewal. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees for its services. The cost reimbursements and management fees are not to exceed 15% of revenues which shall be set forth within the approved annual budget or any amendments thereto.

For the years ended June 30, 2018 and 2017, cost reimbursements and management fee expense was \$0 and \$863,664, respectively.

NOTE 8: EMPLOYEE BENEFIT PLAN

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). Employees are allowed to contribute up to 100% of their salary, subject to certain limitations. Charter Schools USA will match 25% up to the first 6% that the employee elects.

NOTE 9: CONTINGENCIES

As noted in Note 1 the Foundation entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the Magnolia School of Excellence in Caddo Parish, Louisiana on February 5, 2013. The charter agreement with CPSB was for an initial term of five years, contingent upon the results of the reporting requirements at the end of the third year as provided in LA R.S. 17:3998 (A)(2). CPSB performed a charter review in February 2017 and the charter was renewed through fiscal year 2018. An academic audit was conducted in December 2017 and the charter was approved for a conditional renewal of three years. The Caddo Parish School Board voted on January 23, 2018 to renew the charter contract for an additional three year term, through fiscal year 2021. The Foundation, as charter operator, is subject to Annual Academic Audits by Caddo Parish School Board. Failure to follow through with the recommendations and directives of the yearly audit will be grounds for terminations and/or non-renewal of the charter contract.

Shreveport Charter Foundation, Inc. Notes to the Financial Statements

NOTE 10: NET ASSETS (DEFICIT)

The Foundation had a net loss of approximately \$1.2 million for the year ended June 30, 2018 as well as a net deficit of approximately \$4 million. The main driver of the overall deficit of the foundation is the accumulated depreciation of the two facilities recorded as capital leases in the financial statements, which totals approximately \$5 million. The school has the support of Charter Schools USA as their management company. Management fees for the current fiscal year were waived by the management company. This support will continue until the school is operating independently and is financially stable.

NOTE 11: SUBSEQUENT EVENTS

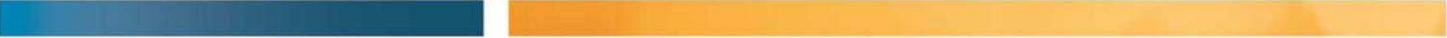
As discussed in Note 5 the Foundation is required to have an annual rent coverage ratio of at least 1.00 to 1.00 each quarter. For the quarter ended September 30, 2018, the annual rent coverage ratio was 0.88. A waiver was received from the Trustee.

As of September 30, 2018 enrollment for the 2018 – 2019 school year was 993, a decrease of 243 students from the prior year. Based on the September 30, 2018 enrollment, management has forecasted a decrease in MFP funding for the 2018 – 2019 school year of approximately \$2,400,000.

In order to promote and increase enrollment at all grade levels for the 2019-20 school year, Magnolia School of Excellence has strategically partnered with local universities, technology companies and a nationally recognized cyber research center. Magnolia School of Excellence has partnered with the National Integrated Cyber Innovation Center (NICERC). NICERC has committed to investing in teacher professional development to support project based instruction and high quality cyber learning opportunities for our students in grades 5-12. The investment is backed by a federal grant funded by the Department of Homeland Security. Magnolia is also partnering with local universities to provide accelerated coursework, industry certifications and to support a seamless transition to college or career in a variety of high demand industries in the local economy. Louisiana State University of Shreveport, Louisiana Tech University and Southern University have confirmed interest in supporting Magnolia School of Excellence and are in active discussions to finalize memorandums of understanding. The university partnerships are geared toward increasing enrollment in the middle and high school grades. In addition, all marketing and collateral materials to showcase these curricular enhancements and strategic alliances have been redesigned in order to generate further interest in Magnolia School of Excellence.

Management has evaluated subsequent events through December 21, 2018, which is the date the financial statements were available to be issued.

Supplemental Information



Shreveport Charter Foundation, Inc.
Schedule of Compensation Paid to the Board of Trustees
For the year ended June 30, 2018

There was no compensation paid to members of the Board of Trustees for the year ended June 30, 2018.

See independent auditors' report.

Shreveport Charter Foundation, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2018

Agency Head Name: Ann Stokes

<u>Purpose</u>	<u>Amount</u>
Reimbursements	\$ 1,125

See independent auditors' report.

Shreveport Charter Foundation, Inc.
Schedule of Findings and Responses
June 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Compliance and internal control over financial reporting:

Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

N/A

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

Current Year Findings and Responses

2018 – 001 Packing Slips

Criteria – According to the CSUSA Purchasing policy, order confirmation procedures should be performed including confirming items listed on packing slip match the items on the purchase order, recording the date of receipt and printing and signing your name on the packing slip, and scanning a copy of the packing slip into Workplace for the vendor’s payment to be processed.

Condition – Packing slips could not be located to prove that items purchased were received.

Effect – Schools may not have received all of the items purchased.

Cause – Personnel did not follow CSUSA’s policy noted above; packing slips were not properly maintained when purchases were received.

Recommendation – We recommend that management review controls over purchasing to determine if retention of packing slips is a control which will be enforced to ensure purchases are received prior to payment and revise the policy accordingly. If the retention of packing slips is determined to be a control which should be enforced, steps should be taken to ensure the procedures are followed and packing slips are being properly maintained on file.

Management’s Response and Corrective Plan – The CSUSA Procurement Department will provide retraining and assistance to the School Operations Administrators to ensure that all purchases made on the schools’ behalf follow the approved purchasing policies and procedures, which include retaining the packing slip for any purchase that contains a tangible item and receiving these items within our Workplace system. As a result of this finding, we plan on increasing our frequency of internal sample reviews to ensure compliance.

Section III – Findings Related to Compliance and Other Matters

2018 – 002 State Compliance

Criteria – Louisiana Revised Statute 42:1124.2.1 requires each member and any designee of a member of a board or commission that has the authority to expend, disburse, or invest ten thousand dollars or more of funds in a fiscal year to file an annual financial statement on a form prescribed by the Louisiana Board of Ethics. According to the Louisiana Board of Ethics individuals who serve as a member of the governing authority or management board of a charter school created pursuant to Chapter 42 of Title 17 of the Louisiana Revised Statutes are required to file a Tier 3 Personal Financial Disclosure Statement. The statement must be filed on or before May 15 of each year.

Condition – Three Board Members did not complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for 2017.

Effect – The Foundation is not in compliance with Louisiana Revised Statute 42:1124.2.1 Financial Disclosure; members of boards and commissions.

Cause – The Foundation does not have policies and procedures in place to ensure all board members complete and submit the Tier 3 Personal Financial Disclosure Statements timely.

Recommendation – We recommend that the Foundation implement a schedule which includes the deadline for submission of the financial disclosure and ensure all board members have completed the form timely and the form is submitted to the Louisiana Board of Ethics by the required deadline. We also recommend that the Foundation maintain a copy of each disclosure statement.

Management's Response and Corrective Plan – At the January, February, March, April and May 2018 Board Meetings of the Shreveport Charter Foundation, Inc. (the "Foundation"), the Tier 3 Personal Financial Disclosure Statement Forms were included in each Board Member's Trustee Packet. Further, the Governing Board Manager transmitted the Louisiana Board of Ethics website to each Board Member to ensure the Tier 3 Personal Financial Disclosure Statement information was electronically accessible. In addition, Counsel for the Board of Trustees discussed the importance of complying with the statutory requirements for submitting a Tier 3 Personal Financial Disclosure Statement to the Louisiana Board of Ethics annually. Lastly, the Tier 3 Personal Financial Disclosure Statement information was placed on the January, February, March, April and May 2018 Board Meeting Agenda of the Shreveport Charter Foundation, Inc.

The Governing Board Manager has notified or otherwise attempted to advise the affected members of the delinquency in completing and submitting the 2017 Financial Disclosure Statements to the Louisiana Board of Ethics.

Prior Year Findings

2017 – 001 Packing Slips

Condition – Packing slips could not be located to prove that items purchased were received.

Status - Repeat finding. See current year finding 2018 – 001.

2017 – 002 Useful Life and Depreciation

Condition – An improper useful life was estimated for one capital asset addition.

Status - Resolved

2017 – 003 State Compliance

Condition – One Board Member did not complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for 2016. Board Member Eligibility to Serve Forms (Affirmation of Eligibility to Serve by a Charter School Governing Board Member) were not on file for five board members.

Status – Partially resolved. See current year finding 2018-002.

2017 – 004 Background Checks

Condition – Evidence that background checks were performed was not provided for eight of the twenty-five teachers selected for testing.

Status - Resolved

**Shreveport Charter Foundation, Inc.
Shreveport, Louisiana**

STATEWIDE AGREED-UPON PROCEDURES REPORT

For the Period April 1, 2017 through June 30, 2018



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RIGGS &
INGRAM

CPAs and Advisors

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Trustees of Shreveport Charter Foundation, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Shreveport Charter Foundation, Inc. ("the Foundation") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 2 (SAUPs) for the fiscal period April 1, 2017 through June 30, 2018. The Foundation's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Shreveport Charter Foundation Board of Trustees (Board)

1. Obtained and inspected the Shreveport Charter Foundation Board of Trustees minutes for the fiscal period, as well as the Board's bylaws in effect during the fiscal period, and:
 - a) Observed that the Board met with a quorum at least monthly, or on a frequency in accordance with the Board's bylaws.
Results: The Board met on a frequency in accordance with the Board's bylaws. A quorum was not present for three of the meetings during the fiscal period.
 - b) Observed that the minutes referenced or included financial activity relating to public funds.
Results: Minutes for two meetings during the fiscal period did not reference or include financial activity relating to public funds.

Bank Reconciliations

2. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and randomly selected four additional accounts. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:
 - a) Bank reconciliations included evidence that they were prepared within two months of the related statement closing date (electronically signed and dated);
Results: No exceptions were noted as a result of applying the procedure.
 - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (electronically signed and dated);
Results: No exceptions were noted as a result of applying the procedure.
 - c) Management had documentation reflecting that it had researched reconciling items that had been outstanding for more than 12 months from the statement closing date, if applicable.
Results: No exceptions were noted as a result of applying the procedure.

Collections

3. Obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected all deposit sites.
Results: No exceptions were noted as a result of applying the procedure.
4. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures – inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:
Results: No exceptions were noted as a result of applying the procedure.
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
Results: No exceptions were noted as a result of applying the procedure.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation to the deposit.
Results: No exceptions were noted as a result of applying the procedure.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
Results: No exceptions were noted as a result of applying the procedure.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verified the reconciliation.

Results: No exceptions were noted as a result of applying the procedure.

5. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were noted as a result of applying the procedure.

6. Randomly selected two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the ten deposits and:

Results: The Foundation had two operating accounts and four other accounts that were selected for procedure #2 under Bank Reconciliations. Two of these six accounts had no deposits during the fiscal period. We selected two deposit dates from each of the remaining four accounts selected for procedure #2 under Bank Reconciliations. We obtained supporting documentation for each of the eight deposits selected.

- a) Observed that receipts are sequentially pre-numbered.

Results: For 4 out of 8 deposits tested, receipts were not numbered sequentially.

- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were noted as a result of applying the procedure.

- c) Traced the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were noted as a result of applying the procedure.

- d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).

Results: For 10 out of 10 deposits tested, deposits were not made within one business day when the bank was less than 10 miles away and the deposit was over \$100.

- e) Traced the actual deposit per the bank statement to the general ledger.

Results: No exceptions were noted as a result of applying the procedure.

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

7. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected all locations.

Results: No exceptions were noted as a result of applying the procedure.

8. For each location selected under #7 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the entity had no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

Results: No exceptions were noted as a result of applying the procedure.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: Location 4 (Board of Trustees), had lack of segregation of duties for initiating, approving, and placing the order for a purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: Location 4 (Board of Trustees) had lack of segregation of duties for processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: Location 2 (Magnolia School of Excellence – Lower Campus) and Location 3 (Magnolia School of Excellence – Upper Campus) each had one employee responsible for processing payments who is not prohibited from adding/modifying vendor files and no other employee is periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: Location 2 (Magnolia School of Excellence – Lower Campus) has one employee who processes payments and also mails the check.

- 9. For each location selected under #7 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:

Results: No exceptions were noted as a result of applying the procedure.

- a) Observed that the disbursement matched the related original invoice/billing statement.

Results: Location 2 (Magnolia School of Excellence – Lower Campus) had no invoice for three of five selected disbursements. Location 3 (Magnolia School of Excellence – Upper Campus) had no invoice for two of five selected disbursements.

- b) Observed that the disbursement documentation included evidence of segregation of duties tested under #8, as applicable.

Results: Location 4 (Board of Trustees) had lack of segregation of duties for initiating, approving, and placing the order for a purchase for two of four disbursements selected for testing; Location 4 (Board of Trustees) had lack of segregation of duties for processing and approving payments to vendors for four of four disbursements selected; Location 2 (Magnolia School of Excellence – Lower Campus) and Location 3 (Magnolia School of Excellence – Upper Campus) have employees responsible for processing payments who can also add/modify vendor files and no other employee is periodically reviewing changes to vendor files; Location 2 (Magnolia School of Excellence – Lower Campus) had one employee who processes payments and also mailed the checks for one of two disbursements provided for testing.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 10. Obtained from management a representation that the entity does not have credit cards, debit cards, fuel cards or P-cards.

Results: No exceptions were noted as a result of applying the procedure.

Travel and Travel-Related Expense Reimbursements

11. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. Randomly selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

Results: No exceptions were noted as a result of applying the procedure.

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: No exceptions were noted as a result of applying the procedure.

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: No exceptions were noted as a result of applying the procedure.

- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy.

Results: No exceptions were noted as a result of applying the procedure.

- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were noted as a result of applying the procedure.

Contracts

12. Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtained management's representation that the listing is complete. Randomly selected five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

Results: No exceptions were noted as a result of applying the procedure. Only three contracts were included on the listing provided by management. All were selected.

- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law if required by law.

Results: No exceptions were noted as a result of applying the procedure.

- b) Observed that the contract was approved by the governing body/board, if required by policy or law.

Results: No exceptions were noted as a result of applying the procedure.

- c) If the contract was amended, observed that the original contract terms provided for such an amendment.

Results: No exceptions were noted as a result of applying the procedure.

- d) Randomly selected one payment from the fiscal period for each of the three contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of applying the procedure.

Payroll and Personnel

13. Obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were noted as a result of applying the procedure.

14. Randomly selected one pay period during the fiscal period. For the five employees selected under #13 above, obtained attendance records and leave documentation for the pay period, and:

Results: No exceptions were noted as a result of applying the procedure.

- a) Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Results: No exceptions were noted as a result of applying the procedure.

- b) Observed that supervisors approved the attendance and leave of the selected employees.

Results: No exceptions were noted as a result of applying the procedure.

- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were noted as a result of applying the procedure.

15. Obtained a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employees' cumulative leave records, and agreed the pay rates to the employees' authorized pay rates in the employees' personnel files.

Results: No exceptions were noted as a result of applying the procedure.

16. Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of applying the procedure.

Ethics

17. Using the five randomly selected employees from procedure #13 under "Payroll and Personnel" above, obtained ethics documentation from management, and:

- a) Observed that the documentation demonstrated each employee completed one hour of ethics training during the fiscal period.

Results: CRI observed that only 2 of 5 employees had documentation to demonstrate that one hour of ethics training was completed during the period.

- b) Observed that the documentation demonstrated each employee attested through signature verification that he or she had read the entity's ethics policy during the fiscal period.

Results: CRI observed signature verification for only 3 of the 5 employees to demonstrate that he or she had read the entity's ethics policy during the period.

Other

18. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: Management represented that there had been no misappropriations of public funds or assets during the fiscal year.

19. Observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted the entity has posted the notice required by R.S. 24:523.1 on its premises; however, the notice was not located on the entity's website.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS, & INGRAM, LLC
Shreveport, Louisiana
December 21, 2018

Shreveport Charter
FOUNDATION

December 19, 2018

Louisiana legislative Auditor
1600 North 2nd Street
PO Box 94397
Baton Rouge, LA 70804

and

Carr, Riggs & Ingram, LLC
1000 East Preston Avenue, Suite 200
Shreveport, LA 71105

RE: Management's Response to Statewide Agreed-Upon Procedures

Management of Shreveport Charter Foundation, Inc. has reviewed the Independent Accountants' Report on Applying Agreed-Upon Procedures. Management is in agreement with the report as provided by Carr, Riggs & Ingram, LLC. Shreveport Charter Foundation, Inc. will add policies and procedures and implement changes where necessary to meet the expectations identified in the report.

Shreveport Charter Foundation, Inc.

Lindsey Lennon

Lindsey Lennon
Controller