

**DISCOVERY HEALTH SCIENCES
FOUNDATION, INC.**

Audit of Combined Financial Statements

June 30, 2018



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Independent Auditor's Report

To the Board of Directors
Discovery Health Sciences Foundation, Inc.
Kenner, Louisiana

Report on the Financial Statements

We have audited the accompanying combined financial statements of Discovery Health Sciences Foundation, Inc., a component unit of Jefferson Parish Public School System, and its affiliate, Friends of Discovery Health Sciences Foundation, Inc. (collectively, the Organization), which comprise the combined statement of financial position as of June 30, 2018, the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, 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 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 the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position, combining statement of activities, schedule of board of directors, and schedule of compensation, benefits, and other payments to agency head are presented for 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 also 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.

The performance and statistical data, included as schedules 1 through 9, is not a required part of the basic financial statements, but is 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 September 27, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
September 27, 2018

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combined Statement of Financial Position
June 30, 2018

Assets	
Current Assets	
Cash	\$ 598,975
Accounts Receivable	386,668
Prepaid Expenses	<u>269,657</u>
Total Current Assets	<u>1,255,300</u>
Property and Equipment, Net	<u>4,566,253</u>
Noncurrent Assets	
Deposits	74,879
Deferred Compensation Investments	<u>145,870</u>
Total Noncurrent Assets	<u>220,749</u>
Total Assets	<u><u>\$ 6,042,302</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 1,027,371
Accrued Salaries and Benefits	484,823
Notes Payable - Current Portion	209,417
Obligations Under Capital Leases - Current Portion	276,109
Bank Line of Credit	260,000
Deferred Revenue	<u>13,421</u>
Total Current Liabilities	<u>2,271,141</u>
Noncurrent Liabilities	
Notes Payable - Noncurrent Portion	1,027,592
Obligations Under Capital Leases - Noncurrent Portion	1,318,359
Deferred Compensation Liability	<u>145,870</u>
Total Noncurrent Liabilities	<u>2,491,821</u>
Total Liabilities	<u>4,762,962</u>
Net Assets	
Unrestricted	1,253,492
Temporarily Restricted	<u>25,848</u>
Total Net Assets	<u>1,279,340</u>
Total Liabilities and Net Assets	<u><u>\$ 6,042,302</u></u>

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combined Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Per Pupil Support	\$ 11,100,233	\$ -	\$ 11,100,233
Federal Sources	861,756	-	861,756
Tuition	199,220	-	199,220
Fundraising Revenue	144,375	-	144,375
Other State Revenues	91,600	-	91,600
Contributions and Donations	47,296	42,383	89,679
Income from Meals	108,631	-	108,631
Student Activities and Fees	211,471	-	211,471
Other Revenue	1,594	-	1,594
Interest Income	285	-	285
Total Public Support and Other Revenues	12,766,461	42,383	12,808,844
Net Assets Released from Restrictions	55,313	(55,313)	-
Total Revenues and Support	12,821,774	(12,930)	12,808,844
Expenses			
Program Services	5,982,064	-	5,982,064
Supporting Services			
Management and General	6,203,328	-	6,203,328
Fundraising	200,709	-	200,709
Total Expenses	12,386,101	-	12,386,101
Change in Net Assets	435,673	(12,930)	422,743
Net Assets, Beginning of Year	817,819	38,778	856,597
Net Assets, End of Year	\$ 1,253,492	\$ 25,848	\$ 1,279,340

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combined Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Advertising and Recruiting	\$ -	\$ 7,612	\$ -	\$ 7,612
Athletics	16,037	-	-	16,037
Audit and Accounting Services	-	38,750	-	38,750
Benefits	1,008,499	440,618	32,522	1,481,639
Cleaning Services	-	269,947	-	269,947
Communications	-	61,219	-	61,219
Depreciation	-	895,067	-	895,067
Dues and Fees	5,317	28,814	-	34,131
Field Trips	25,113	-	-	25,113
Food Service Management	-	400,897	-	400,897
Insurance	-	93,032	-	93,032
Interest	-	267,749	-	267,749
Legal Services	-	72,965	-	72,965
Materials and Supplies	155,486	112,873	20,241	288,600
Minimum Foundation Program Fees	-	290,034	-	290,034
Other Miscellaneous	10,738	20,806	-	31,544
Printing and Binding	-	5,268	-	5,268
Purchased Professional and Technical Services	22,729	164,249	16,415	203,393
Rentals	97,679	5,175	-	102,854
Repairs and Maintenance Services	390	64,776	-	65,166
Salaries and Benefits	4,495,030	2,169,208	131,531	6,795,769
Technology	23,488	3,732	-	27,220
Textbooks	103,471	-	-	103,471
Transportation	-	619,980	-	619,980
Travel	18,087	15,905	-	33,992
Utilities	-	154,652	-	154,652
Total Expenses	\$ 5,982,064	\$ 6,203,328	\$ 200,709	\$ 12,386,101

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combined Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ 422,743
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	895,067
(Increase) Decrease in Assets	
Accounts Receivable	(189,591)
Prepaid Expenses	(159,620)
Deposits	(42,568)
Increase (Decrease) in Liabilities	
Accounts Payable	942,702
Accrued Salaries and Benefits	149,203
Deferred Revenue	(35,077)
	<u>1,982,859</u>
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities	
Purchase of Property and Equipment	<u>(2,689,896)</u>
	<u>(2,689,896)</u>
Net Cash Used in Investing Activities	
Cash Flows from Financing Activities	
Proceeds from Notes Payable	1,000,000
Principal Payments on Notes Payable	(213,820)
Payment of Capital Lease Obligation	(262,920)
	<u>523,260</u>
Net Cash Provided by Financing Activities	
Net Decrease in Cash	(183,777)
Cash, Beginning of Year	<u>782,752</u>
Cash, End of Year	<u>\$ 598,975</u>
Supplemental Disclosures of Cash Flow Information	
Cash Paid During the Year for Interest	<u>\$ 267,749</u>
Noncash Investing and Financing Transaction	
Lease of Building	
Capital Lease Obligation	<u>\$ 1,471,774</u>

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements include the accounts of Discovery Health Sciences Foundation, Inc. (Discovery) and Friends of Discovery Health Sciences Foundation, Inc. (Friends) (collectively, the Organization).

Discovery, a nonprofit corporation organized on a non-stock basis, was incorporated in September 2011 for the purpose of operating Kenner Discovery Health Sciences Academy, a charter school located in Kenner, Louisiana. Discovery was created to provide a rigorous learning environment where students achieve academically, develop intellectual curiosity, and practice environmental responsibility while exploring health and science topics and careers. In June 2012, the Jefferson Parish Public School System (JPPSS) authorized Discovery to operate a Type 1 Charter School. The initial five (5) year charter is set to expire in June 2018. Discovery began operations in August 2013. Discovery is a component unit of the JPPSS.

Friends, a nonprofit corporation organized on a non-stock basis, was incorporated in February 2017 as a supporting organization for the benefit of Discovery.

Combined Financial Statements

The accompanying combined financial statements include the accounts of Discovery, and its affiliate, Friends. Discovery has controlling financial interest through direct ownership of a majority voting interest in Friends, and has an economic interest in Friends. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

The Organization follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

The Organization also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the combined financial statements. The combined financial statements of the Organization are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of combined financial statements in accordance 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.

Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the combined financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

Revenues and Support

Discovery's primary source of funding is through the State Public School Fund from the Jefferson Parish Public School System (JPPSS) and the Louisiana Department of Education (LDOE). Discovery received its support primarily from the JPPSS and LDOE based on eligible students in attendance paid on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give which are estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Revenue from other sources, including student activities and fees, tuition, and income from meals are recorded and recognized as revenue in the period in which the Organization provides the service.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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 received from individuals or entities who specified the use of the contribution. At June 30, 2018, there were no restricted cash balances.

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2018, the Organization had no cash equivalents.

Property and Equipment

Property and equipment is capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The net carrying amount is considered the net realizable value. Donated property and equipment is recorded at fair market value as of the date received. The Organization maintains a capitalization threshold of \$5,000 for office and classroom equipment, software, building improvements, and portable facilities, or any one item costing under \$5,000 alone if considered valuable and whose useful life exceeds a year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. All reported property and equipment except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following useful lives:

Software	3 Years
Office and Classroom Equipment	3 - 5 Years
Building Improvements	5 - 7 Years
Portable Facilities	7 - 8 Years

Income Taxes

Discovery is a Louisiana nonprofit organization under Section 509(a)(1) of the Internal Revenue Code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundation.

Friends is a Louisiana nonprofit organization under Section 509(a)(3) of the Internal Revenue Code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be a supporting organization other than a private foundation.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the combined financial statements during the year ended June 30, 2018. Penalties and interest assessed by income taxing authorities, if any, are included in income tax expense.

Concentrations

Discovery received 87% of its revenues in the year ended June 30, 2018, from the JPPSS, subject to its charter school contract with Discovery's Board and 8% from other Louisiana state and federal grant programs.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2018, the Organization's bank balances were \$778,269. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$256,519. Deposits of \$509,692 were uninsured and subject to custodial credit risk at June 30, 2018. The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Compensated Absences

Employees of Discovery receive between ten (10) and twelve (12) days of paid time off (PTO) (a combination of vacation time, sick time, and personal holiday time) according to their classification. Unused PTO balances, up to ten (10) days, are carried over into the following year with a maximum of twenty (20) days carried at any one time per employee.

Deferred Revenue

Deferred revenue represents deposits made on tuition for the Pre-K program. Due to the high demand of the Pre-K program, Discovery requires students to place a nonrefundable deposit to hold their place in the program that would later be used to decrease the total tuition due. As these future students enter the program, these amounts will be recognized as revenue.

Deferred Compensation Investments

A deferred compensation investment account is sponsored by Discovery in order to maintain a 457(b) Deferred Compensation Plan for its Executive Director. Discovery contributes the maximum allowed to the plan, as required by the Executive Director's contract.

Note 1. Summary of Significant Accounting Policies (Continued)

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 agencies are to be used for educational purposes as described in Discovery's charter agreement and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for nonpublic organizations for annual reporting periods beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting this new guidance on its combined financial statements and does not expect the impact to be significant.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact of adopting the new revenue standard on its combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 2. Property and Equipment

Property and equipment consisted of the following:

Building and Improvements	\$ 4,521,148
Construction in Progress	1,015,017
Machinery and Equipment	1,194,232
Less: Accumulated Depreciation	<u>(2,164,144)</u>
Total	<u>\$ 4,566,253</u>

Depreciation expense was \$895,067, for the year ended June 30, 2018.

Note 3. Accounts Receivable

As of June 30, 2018, accounts receivable totaled \$386,668, which includes receivables for federal grants and state grants passed through the JPPSS. These receivables are considered to be fully collectible.

Note 4. Line of Credit

During the year ended June 30, 2018, Discovery's line of credit with Iberia Bank was renewed allowing for borrowings up to \$300,000 with a maturity date of April 10, 2019. Interest currently accrues at 1% above the Wall Street Journal Prime Rate (5.00% at June 30, 2018), for a total interest rate of 6.00% at June 30, 2018. At June 30, 2018, Discovery maintained an outstanding balance on the line of credit of \$260,000.

Note 5. Notes Payable

Discovery

During the year ended June 30, 2015, Discovery entered into a 3-year promissory note with Iberia Bank in the amount of \$300,000, at an interest rate of 6.00% per annum, maturing on November 14, 2017. Discovery paid the remaining balance of this note totaling \$44,981, during the year ended June 30, 2018, leaving a remaining balance of zero.

During the year ended June 30, 2015, Discovery entered into a 42-month agreement with Compass Group to finance the purchase of food service equipment in the amount of \$25,000, at an interest rate of 0% per annum, maturing on June 1, 2018. Discovery paid the remaining balance of this note totaling \$7,738, during the year ended June 30, 2018, leaving a remaining balance of zero.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 5. Notes Payable (Continued)

Discovery (Continued)

During the year ended June 30, 2016, Discovery entered into a 5-year promissory note with Iberia Bank in the amount of \$500,000, at an interest rate of 6.75% per annum, maturing on April 11, 2021. The balance at June 30, 2018, was \$304,059.

The notes are secured by all current and future assets and revenues. Discovery used these funds to purchase buildings, furniture, and other fixed assets.

Friends

On September 1, 2017, Friends entered into a 7-year promissory note with Iberia Bank in the amount of \$1,000,000, at an interest rate of 7.25% per annum, maturing on December 1, 2024. The balance at June 30, 2018, was \$932,950.

At June 30, 2018, the maturities of long-term debt for the Organization are as follows:

2019	\$	209,417
2020		234,268
2021		231,253
2022		146,610
2023		157,755
2024		169,718
2025		87,988
Total	\$	<u>1,237,009</u>

Note 6. Capital Leases

Discovery

Discovery leases modular buildings from Mobile Modular Management Corporation under a capital lease. The economic substance of the lease is that Discovery is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in Discovery's assets and liabilities.

Friends

Friends leases modular buildings from Vanguard Modular Building Systems under a capital lease. The economic substance of the lease is that Friends is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in Friends' assets and liabilities.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 6. Capital Leases (Continued)

The following is an analysis of the leased assets included in property and equipment:

Buildings	\$ 2,038,512
Less: Accumulated Amortization	<u>436,679</u>
Total	<u>\$ 2,475,191</u>

Amortization of assets held under capital leases is included with depreciation expense.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of:

Year Ending June 30,	Amount
2019	\$ 394,077
2020	403,068
2021	317,143
2022	255,768
2023	255,768
2024	255,768
2025	<u>63,052</u>
Total Minimum Lease Payments	1,944,644
Less: Amount Representing Interest	<u>(350,176)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,594,468</u>

Note 7. Retirement Plans

Substantially all employees of Discovery are members of an employer sponsored Safe Harbor 401(k) plan. Covered employees may elect to contribute a portion of their salaries to the plan. Discovery's matching contribution to the plan is equal to 100% of the employee's elected deferrals up to a limit of 3% of the employee's compensation and an additional 50% of deferrals for the next 2% of the employee's compensation. Discovery made \$238,376 in contributions to the plan during the year ended June 30, 2018.

Discovery also sponsors a 457(b) Deferred Compensation Plan for its Executive Director. Discovery contributes the maximum allowed to the plan, as required by the Executive Director's contract. This contribution totaled \$18,500, during the year ended June 30, 2018. The plan's assets and liabilities reflected on the combined statement of financial position at June 30, 2018, totaled \$145,870. The plan's assets are fully invested in mutual funds, the cost of which approximates fair value at June 30, 2018.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 8. Commitments and Contingencies

State Funding

The continuation of Discovery is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the JPPSS. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the Governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

Note 9. Restrictions on Net Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, student activities, or to assist specific departments of Discovery. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets as of June 30, 2018, totaled \$25,848.

Note 10. Operating Leases

Discovery entered into an operating lease for the rental of its main school building payable to the JPPSS in the amount of \$107 per student per year. The lease was for five (5) years commencing on July 1, 2013 and ending on June 30, 2018. During June 2018, the lease was renewed for ten (10) years commencing on July 1, 2018 and ending on June 30, 2028. Future minimum commitments under the operating lease agreements are estimated to be \$307,197, at June 30, 2018.

Discovery entered into two operating leases as part of cooperative endeavor agreements with the City of Kenner for use of the Kenner Rivertown Exhibition Hall and the Westgate Playground Tennis Court. Both leases are effective until terminated. Both leases are at no charge, and therefore have no minimum lease payment obligation.

Note 11. Cooperative Endeavor Lease Agreement

Discovery entered into a cooperative endeavor lease agreement on November 23, 2016 at no charge to Discovery with the JPPSS onto which the JPPSS leased to Discovery, certain real property (land) for the purpose of constructing, developing, and operating on the land a public charter school facility, including infrastructure, parking, and other related facilities. Discovery has certain covenants regarding the construction and operations of the land on behalf of JPPSS. On May 12, 2017, Discovery sublet the land to Friends. The lease and sublease terms will run until October 1, 2115.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.

Notes to Combined Financial Statements

Note 12. Related Parties

Friends and Vanguard Modular Building Systems (Vanguard) entered into a lease agreement dated September 2, 2017, wherein Vanguard agreed to lease to Friends certain modular buildings (the Buildings). The Buildings are installed on the land and are sublet by Friends to Discovery to be used as school facilities. The lease between Friends and Discovery for the Buildings will be for a term of 99 years and calls for monthly rent sufficient to cover the debt service and lease payment by Friends. Rent expense incurred by Discovery and paid to Friends as part of the sublease totaled \$384,708, during the year ended June 30, 2018. Discovery also provided capital advances to Friends totaling \$629,641, during the year ended June 30, 2018. All intercompany activity has been eliminated on the combined financial statements.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, September 27, 2018, and determined that the following events occurred that require disclosure:

During August 2018, Discovery executed a line of credit agreement with Iberia Bank allowing for borrowings up to \$1,300,000, maturing February 16, 2019. Interest currently accrues at 2.25% above the Wall Street Journal Prime Rate (5.00% at June 30, 2018), for a total interest rate of 7.25%.

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

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Discovery Health Sciences Foundation, Inc.
Kenner, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Discovery Health Sciences Foundation, Inc. (Discovery), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual combined financial statements of Discovery for the fiscal year ended June 30, 2018, 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 24:514-1. Management of Discovery 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 random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of 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

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to Discovery's supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule, and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) - English Language Arts and Mathematics (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by Discovery.

Findings:

None

Graduation Exit Exam (GEE) (Schedule 8)

11. The GEE is no longer administered. This schedule is no longer applicable.

Louisiana Educational Assessment Program (LEAP) - Science and Social Studies (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by Discovery.

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 combined financial statements of Discovery, as required by Louisiana Revised Statute 24:514.1, 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

Metairie, LA
September 27, 2018

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2018

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 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data: Average Salaries

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - 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. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP) - English Language Arts and Mathematics

This schedule represents student performance testing data and includes summary scores for grades 3, 4, 5, 6, 7, and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule contains three years of data.

Schedule 8 - Graduation Exit Exam (GEE)

Not applicable.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data) (Continued)
As of and for the Year Ended June 30, 2018

Schedule 9 - Louisiana Educational Assessment Program (LEAP) - Science and Social Studies

This schedule represents student performance testing data and includes a summary score for grades 3, 4, 5, 6, 7, and 8 in each category tested. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018

Schedule 1

<u>General Fund Instructional and Equipment Expenditures</u>	
General Fund Instructional Expenditures	
Teacher and Student Interaction Activities	
Classroom Teacher Salaries	\$ 3,216,926
Other Instructional Staff Salaries	848,582
Instructional Staff Employee Benefits	1,008,501
Purchased Professional and Technical Services	22,729
Instructional Materials and Supplies	252,264
Instructional Equipment	<u>-</u>
Total Teacher and Student Interaction Activities	\$ 5,349,002
Other Instructional Activities	173,361
Pupil Support Services	544,063
Less: Equipment for Pupil Support Services	<u>-</u>
Net Pupil Support Services	544,063
Instructional Staff Services	116,885
Less: Equipment for Instructional Staff Services	<u>-</u>
Net Instructional Staff Services	116,885
School Administration	1,588,524
Less: Equipment for School Administration	<u>-</u>
Net School Administration	<u>1,588,524</u>
Total General Fund Instructional Expenditures	<u>\$ 7,771,835</u>
Total General Fund Equipment Expenditures	<u>\$ -</u>
<u>Certain Local Revenue Sources</u>	
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 16 th 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.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
 Education Levels of Public School Staff
 As of October 1, 2017

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	11	25%	0	0%	0	0%
Bachelor's Degree	43	70%	27	61%	0	0%	0	0%
Master's Degree	15	25%	6	14%	4	44%	0	0%
Master's Degree +30	2	3%	0	0%	1	11%	0	0%
Ph. D. or Ed. D.	1	2%	0	0%	4	44%	0	0%
Total	61	100%	44	100%	9	100%	0	0%

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Number and Type of Public Schools
For the Year Ended June 30, 2018

Schedule 3

Type	Number
Elementary	0
Middle/Jr. High	0
Secondary	0
Combination	1
Total	1

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Experience of Public Principals, Assistant Principals,
and Full Time Classroom Teachers
As of October 1, 2017

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals			3	1		1		5
Principals			1		1		2	4
Classroom Teachers	12	20	40	13	7	6	7	105
Total	12	20	44	14	8	7	9	114

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Public School Staff Data: Average Salaries
For the Year Ended June 30, 2018

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$41,880	\$41,880
Average Classroom Teachers Salary Excluding Extra Compensation	\$40,279	\$40,279
Number of Teacher Full Time Equivalent (FTEs) Used in Computation of Average Salaries	102.07	102.07

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Class Size Characteristics
As of October 1, 2017

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	17%	43	74%	182	9%	23	0%	-
Elementary Activity Classes	17%	17	62%	64	19%	19	2%	2

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Louisiana Educational Assessment Program (LEAP) -
English Language Arts and Mathematics
For the Year Ended June 30, 2018

Schedule 7

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 3				
Advanced	9%	13%	9%	14%
Mastery	57%	56%	39%	46%
Basic	21%	18%	31%	28%
Approaching Basic	11%	10%	18%	9%
Unsatisfactory	2%	3%	3%	3%
Total	100%	100%	100%	100%

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	Percent	Percent	Percent	Percent
Grade 4				
Advanced	23%	5%	13%	0%
Mastery	55%	50%	63%	39%
Basic	16%	31%	20%	45%
Approaching Basic	3%	14%	2%	15%
Unsatisfactory	3%	0%	2%	1%
Total	100%	100%	100%	100%

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 5				
Advanced	4%	7%	3%	5%
Mastery	58%	66%	52%	63%
Basic	24%	22%	34%	26%
Approaching Basic	10%	5%	10%	6%
Unsatisfactory	4%	0%	1%	0%
Total	100%	100%	100%	100%

2016 LEAP scores were not available for inclusion in the schedule.

During 2017, Grade 7 was not presented.

During 2018, certain students did not take the Math LEAP due to taking an alternative test for high school credit.

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Louisiana Educational Assessment Program (LEAP) -
English Language Arts and Mathematics (Continued)
For the Year Ended June 30, 2018

Schedule 7

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 6				
Advanced	3%	4%	0%	2%
Mastery	41%	35%	44%	22%
Basic	39%	30%	41%	34%
Approaching Basic	13%	23%	14%	34%
Unsatisfactory	4%	8%	1%	8%
Total	100%	100%	100%	100%

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 7				
Advanced	13%	N/A	0%	N/A
Mastery	24%	N/A	14%	N/A
Basic	31%	N/A	46%	N/A
Approaching Basic	24%	N/A	30%	N/A
Unsatisfactory	8%	N/A	10%	N/A
Total	100%	0%	100%	0%

District Achievement Level Results	English Language Arts		Mathematics	
	2018	2017	2018	2017
Students	Percent	Percent	Percent	Percent
Grade 8				
Advanced	17%	5%	0%	0%
Mastery	49%	43%	47%	32%
Basic	23%	35%	29%	36%
Approaching Basic	7%	14%	19%	27%
Unsatisfactory	4%	3%	5%	5%
Total	100%	100%	100%	100%

2016 LEAP scores were not available for inclusion in the schedule.

During 2017, Grade 7 was not presented.

During 2018, certain students did not take the Math LEAP due to taking an alternative test for high school credit.

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

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

Discovery does not have grades 10 or 11; therefore, this schedule does not apply.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Louisiana Educational Assessment Program (LEAP) -
Science and Social Studies
For the Year Ended June 30, 2018

Schedule 9

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 3				
Advanced	N/A	7%	11%	N/A
Mastery	N/A	37%	30%	N/A
Basic	N/A	47%	28%	N/A
Approaching Basic	N/A	7%	24%	N/A
Unsatisfactory	N/A	2%	7%	N/A
Total	N/A	100%	100%	N/A

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	Percent	Percent	Percent	Percent
Grade 4				
Advanced	N/A	5%	9%	N/A
Mastery	N/A	21%	38%	N/A
Basic	N/A	59%	35%	N/A
Approaching Basic	N/A	13%	14%	N/A
Unsatisfactory	N/A	2%	4%	N/A
Total	N/A	100%	100%	N/A

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 5				
Advanced	N/A	12%	11%	N/A
Mastery	N/A	39%	28%	N/A
Basic	N/A	42%	32%	N/A
Approaching Basic	N/A	5%	17%	N/A
Unsatisfactory	N/A	2%	12%	N/A
Total	N/A	100%	100%	N/A

2016 LEAP scores were not available for inclusion in the schedule.
 During 2017, Grade 7 was not presented.
 During 2017, the Social Studies LEAP score results were not available at the time of the report.
 During 2018, the Science LEAP test was not conducted.

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

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Louisiana Educational Assessment Program (LEAP) -
Science and Social Studies (Continued)
For the Year Ended June 30, 2018

Schedule 9

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 6				
Advanced	N/A	3%	11%	N/A
Mastery	N/A	19%	35%	N/A
Basic	N/A	46%	28%	N/A
Approaching Basic	N/A	23%	21%	N/A
Unsatisfactory	N/A	9%	5%	N/A
Total	N/A	100%	100%	N/A

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	%	%	%	%
Grade 7				
Advanced	N/A	N/A	8%	N/A
Mastery	N/A	N/A	21%	N/A
Basic	N/A	N/A	28%	N/A
Approaching Basic	N/A	N/A	22%	N/A
Unsatisfactory	N/A	N/A	21%	N/A
Total	N/A	N/A	100%	N/A

District Achievement Level Results	Science		Social Studies	
	2018	2017	2018	2017
Students	Percent	Percent	Percent	Percent
Grade 8				
Advanced	N/A	5%	16%	N/A
Mastery	N/A	26%	31%	N/A
Basic	N/A	50%	28%	N/A
Approaching Basic	N/A	14%	17%	N/A
Unsatisfactory	N/A	5%	8%	N/A
Total	N/A	100%	100%	N/A

2016 LEAP scores were not available for inclusion in the schedule.
 During 2017, Grade 7 was not presented.
 During 2017, the Social Studies LEAP score results were not available at the time of the report.
 During 2018, the Science LEAP test was not conducted.

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

SUPPLEMENTARY INFORMATION

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedule of Board of Directors
For the Year Ended June 30, 2018

Board Members	Compensation
Diane Hollis (Chair)	\$-0-
Lynda Nugent Smith (Vice Chair)	\$-0-
Wayne Thomas (Treasurer)	\$-0-
Joe Caldarera	\$-0-
Roger Champagne	\$-0-
Jim Hudson	\$-0-
Vinicio Madrigal	\$-0-
Jeanne Monte	\$-0-
Henry Shane	\$-0-
Allison Sharai	\$-0-
David Sherman	\$-0-
Ronnie Slone	\$-0-
Charles "Chuck" Toney, Jr.	\$-0-

See independent auditor's report.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2018

Agency Head
Dr. Patty Glaser, Chief Executive Officer

Purpose	Amount
Salary	\$216,134
Benefits - Insurance (FICA, Medicare, Health, Life, Disability)	\$20,027
Benefits - Retirement	\$8,385
Benefits - Deferred Compensation	\$23,866
Benefits - Other	\$1,197
Car Allowance	\$12,000
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$345
Travel	\$0
Registration Fees	\$0
Conference Travel	\$320
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0

See independent auditor's report.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combining Statement of Financial Position
June 30, 2018

	Discovery Health Sciences Foundation, Inc.	Friends of Discovery Health Sciences Foundation, Inc.	Eliminations	Combined
Assets				
Current Assets				
Cash	\$ 597,717	\$ 1,258	\$ -	\$ 598,975
Accounts Receivable	386,668	-	-	386,668
Due from Related Party	629,641	-	(629,641)	-
Prepaid Expenses	125,822	143,835	-	269,657
Total Current Assets	1,739,848	145,093	(629,641)	1,255,300
Property and Equipment, Net	968,970	3,597,283	-	4,566,253
Noncurrent Assets				
Deposits	32,611	42,268	-	74,879
Deferred Compensation Investments	145,870	-	-	145,870
Total Noncurrent Assets	178,481	42,268	-	220,749
Total Assets	\$ 2,887,299	\$ 3,784,644	\$ (629,641)	\$ 6,042,302
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 60,684	\$ 966,687	\$ -	\$ 1,027,371
Accrued Salaries and Benefits	484,823	-	-	484,823
Notes Payable - Current Portion	101,274	108,143	-	209,417
Obligations Under Capital Leases - Current Portion	107,363	168,746	-	276,109
Bank Line of Credit	260,000	-	-	260,000
Deferred Revenue	13,421	-	-	13,421
Due to Related Party	-	629,641	(629,641)	-
Total Current Liabilities	1,027,565	1,873,217	(629,641)	2,271,141
Noncurrent Liabilities				
Notes Payable - Noncurrent Portion	202,785	824,807	-	1,027,592
Obligations Under Capital Leases - Noncurrent Portion	161,243	1,157,116	-	1,318,359
Deferred Compensation Liability	145,870	-	-	145,870
Total Noncurrent Liabilities	509,898	1,981,923	-	2,491,821
Total Liabilities	1,537,463	3,855,140	(629,641)	4,762,962
Net Assets				
Unrestricted	1,323,988	(70,496)	-	1,253,492
Temporarily Restricted	25,848	-	-	25,848
Total Net Assets	1,349,836	(70,496)	-	1,279,340
Total Liabilities and Net Assets	\$ 2,887,299	\$ 3,784,644	\$ (629,641)	\$ 6,042,302

See independent auditor's report.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Combining Statement of Activities
For the Year Ended June 30, 2018

	Discovery Health Sciences Foundation, Inc.			Friends of Discovery Health Sciences Foundation, Inc.			Eliminations			Combined		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total
		Restricted			Restricted			Restricted			Restricted	
Revenues and Support												
Per Pupil Support	\$ 11,100,233	\$ -	\$ 11,100,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,100,233	\$ -	\$ 11,100,233
Federal Sources	861,756	-	861,756	-	-	-	-	-	-	861,756	-	861,756
Tuition	199,220	-	199,220	-	-	-	-	-	-	199,220	-	199,220
Fundraising Revenue	144,375	-	144,375	-	-	-	-	-	-	144,375	-	144,375
Other State Revenues	91,600	-	91,600	-	-	-	-	-	-	91,600	-	91,600
Contributions and Donations	47,296	42,383	89,679	-	-	-	-	-	-	47,296	42,383	89,679
Income from Meals	108,631	-	108,631	-	-	-	-	-	-	108,631	-	108,631
Student Activities and Fees	211,471	-	211,471	-	-	-	-	-	-	211,471	-	211,471
Rental Income	-	-	-	384,708	-	384,708	(384,708)	-	(384,708)	-	-	-
Other Revenue	1,594	-	1,594	-	-	-	-	-	-	1,594	-	1,594
Interest Income	285	-	285	-	-	-	-	-	-	285	-	285
Total Public Support and Other Revenues	12,766,461	42,383	12,808,844	384,708	-	384,708	(384,708)	-	(384,708)	12,766,461	42,383	12,808,844
Net Assets Released from Restrictions	55,313	(55,313)	-	-	-	-	-	-	-	55,313	(55,313)	-
Total Revenues and Support	12,821,774	(12,930)	12,808,844	384,708	-	384,708	(384,708)	-	(384,708)	12,821,774	(12,930)	12,808,844
Expenses												
Program Services	5,982,064	-	5,982,064	-	-	-	-	-	-	5,982,064	-	5,982,064
Supporting Services												
Management and General	6,133,832	-	6,133,832	454,204	-	454,204	(384,708)	-	(384,708)	6,203,328	-	6,203,328
Fundraising	199,709	-	199,709	1,000	-	1,000	-	-	-	200,709	-	200,709
Total Expenses	12,315,605	-	12,315,605	455,204	-	455,204	(384,708)	-	(384,708)	12,386,101	-	12,386,101
Change in Net Assets	506,169	(12,930)	493,239	(70,496)	-	(70,496)	-	-	-	435,673	(12,930)	422,743
Net Assets, Beginning of Year	817,819	38,778	856,597	-	-	-	-	-	-	817,819	38,778	856,597
Net Assets, End of Year	\$ 1,323,988	\$ 25,848	\$ 1,349,836	\$ (70,496)	\$ -	\$ (70,496)	\$ -	\$ -	\$ -	\$ 1,253,492	\$ 25,848	\$ 1,279,340

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
Discovery Health Sciences Foundation, Inc.
Kenner, 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 combined financial statements of Discovery Health Sciences Foundation, Inc. (Discovery), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Discovery'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Discovery's internal control. Accordingly, we do not express an opinion on the effectiveness of Discovery'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 over financial reporting 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 Discovery's combined 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 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 and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Discovery'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 Professional Accounting Corporation

Metairie, LA
September 27, 2018

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

Independent Auditor's Report

To the Board of Directors
Discovery Health Sciences Foundation, Inc.
Kenner, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Discovery Health Sciences Foundation, Inc.'s (Discovery) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Discovery's major federal program for the year ended June 30, 2018. Discovery's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to Discovery's major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Discovery's major federal program 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* 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 Discovery'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 the major federal program. However, our audit does not provide a legal determination of Discovery's compliance.

Opinion on Major Federal Program

In our opinion, Discovery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Discovery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Discovery's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Discovery'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 charged 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

Metairie, LA
September 27, 2018

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>United States Department Agriculture</u>			
Passed through the Louisiana Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553	Unknown	\$ 84,599
National School Lunch Program	10.555	Unknown	268,299
Total Child Nutrition Cluster			<u>352,898</u>
Child and Adult Care Food Program	10.558	Unknown	<u>49,155</u>
Total United States Department of Agriculture			<u>402,053</u>
<u>United States Department of Education</u>			
Passed through the Jefferson Parish Public School System			
Title I Grants to Local Education Agencies (LEAs)	84.010	S010A170018	110,043
Special Education - Grants to States (IDEA, Part B) *	84.027	H027A170033	348,642
Title III English Language Acquisition State Grants	84.365	S365A170018	<u>1,018</u>
Total United States Department of Education			<u>459,703</u>
Total Expenditures of Federal Awards			<u>\$ 861,756</u>

* Denotes Major Program

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Discovery and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2. Indirect Cost Rate

Discovery 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.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c) Noncompliance noted? | No |
| 3) Management letter comment provided? | None |

Federal Awards

- | | |
|---|---------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5) Type of auditor's report issued on compliance for major programs | Unmodified |
| 6) Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7) Identification of major programs | |
| 84.027 - Special Education - Grants to States (IDEA, Part B) | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$750,000 |
| 9) Auditee qualified as a low-risk auditee under Uniform Guidance? | No |

Section II. Internal Control Over Financial Reporting

None.

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

None.

DISCOVERY HEALTH SCIENCES FOUNDATION, INC.
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2018

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

AGREED-UPON PROCEDURES REPORT

Discovery Health Sciences Foundation, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2017 - June 30, 2018

To Discovery Health Sciences Foundation, Inc. and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Discovery Health Sciences Foundation, Inc., d/b/a Kenner Discovery Health Sciences Academy (Discovery) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2017 through June 30, 2018. Discovery's management is responsible for those C/C areas identified in the SAUPs. 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.

Our procedures and results are as follows:

Collections

1. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

Results: We obtained management's representation that the listing provided is complete.

2. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- 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 (e.g., pre-numbered receipts) to the deposit.
- 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.
- 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 verifies the reconciliation.

Results: We noted one (1) primary deposit and reconciliation site, which was the primary campus location. We noted that the employee responsible for collecting cash at the various campuses also prepares the deposit reconciliation and brings the deposit to the bank. We noted that the employee responsible for collecting cash does not record the transaction or reconcile the bank account. We noted that Discovery does not have any formal cash registers or drawers, but utilizes envelope safes and lock boxes which can be accessed by the primary employee responsible for collecting cash and the CFO.

Discovery has a formal process to reconcile cash collections to the general ledger, primarily through bank reconciliations performed by a person who is not responsible for cash collections.

Management's Response: Although the person who collects cash also deposits the cash, the money is totaled and receipted by the individual teachers before the collection person obtains the money. There is also a security camera located at the collection point.

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

Results: We noted that the all employees, including those responsible for collecting cash, are insured through a commercial crime policy.

- 4. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

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

Results: As Discovery is a charter school, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. Discovery receives all such public funds via ACH transfer. Discovery noted no public funds that were received as cash during the fiscal year. As such, there were no transactions selected for testing.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, 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 results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Covington, LA
October 3, 2018