

**FRENCH AND MONTESSORI  
EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
AND AUDUBON SCHOOLS GENTILLY  
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2018



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## Independent Auditor's Report

To the Board of Directors  
French and Montessori Education, Inc.  
d/b/a Audubon Charter School and Audubon Schools Gentilly  
New Orleans, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School and Audubon Schools Gentilly (the Organization), which comprise the statement of financial position as of June 30, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the 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.

#### LOUISIANA • TEXAS

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## **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 schedule of board of directors and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), 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.

Schedules 1 and 2 are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the independent accountant's report on applying agreed-upon procedures. However, we did not audit this information and, accordingly, express no opinion on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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

Covington, LA  
December 11, 2018

**FRENCH AND MONTESSORI EDUCATION, INC.**  
**D/B/A AUDUBON CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Financial Position**  
**June 30, 2018**

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 2,152,955
Grants Receivable	847,016
Interest Receivable	4,182
Prepaid Expenses	<u>115,209</u>
<b>Total Current Assets</b>	<u><b>3,119,362</b></u>
<b>Other Assets</b>	
Grants Receivable, Long-Term, Net	341,902
Investments	<u>1,397,477</u>
<b>Total Other Assets</b>	<u><b>1,739,379</b></u>
<b>Fixed Assets</b>	
Computers	498,524
Improvements	796,451
Construction in Progress	1,134,102
Accumulated Depreciation	<u>(493,093)</u>
<b>Total Fixed Assets, Net</b>	<u><b>1,935,984</b></u>
<b>Total Assets</b>	<u><b>\$ 6,794,725</b></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 133,097
Accrued Expenses	27,566
Deferred Revenue	<u>94,341</u>
<b>Total Liabilities</b>	<u><b>255,004</b></u>
<b>Net Assets</b>	
Unrestricted	5,797,969
Temporarily Restricted	<u>741,752</u>
<b>Total Net Assets</b>	<u><b>6,539,721</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 6,794,725</b></u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.**  
**D/B/A AUDUBON CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Grants, Support, and Gains</b>			
State and Local Public School Funding	\$ 7,460,373	\$ -	\$ 7,460,373
Grants and Contributions, Net	482,195	1,813,902	2,296,097
Federal Grants	861,234	-	861,234
Other State Funding	513,311	-	513,311
Student Activity Revenue	394,210	-	394,210
Fee Revenue	143,404	-	143,404
Income from Meals	20,243	-	20,243
Interest Income	72,142	-	72,142
Other Income	4,145	-	4,145
Net Assets Released from Restrictions	1,072,150	(1,072,150)	-
Net Realized and Unrealized Loss on Investments	(26,507)	-	(26,507)
<b>Total Revenue, Grants, Support, and Gains</b>	<b>10,996,900</b>	<b>741,752</b>	<b>11,738,652</b>
<b>Expenses</b>			
Program Services			
Regular Education Programs	5,202,732	-	5,202,732
School Administration	1,033,167	-	1,033,167
Operations and Maintenance of Plant Services	827,603	-	827,603
Special Education Programs	717,278	-	717,278
Special Programs	600,518	-	600,518
Pupil Support Services	514,279	-	514,279
Other Instructional Programs	467,850	-	467,850
Instructional Staff Services	379,557	-	379,557
Food Service	275,770	-	275,770
Depreciation	80,726	-	80,726
Other Support Services	9,917	-	9,917
Management and General			
Business Services	411,738	-	411,738
Central Services	215,383	-	215,383
General Administration	177,374	-	177,374
<b>Total Expenses</b>	<b>10,913,892</b>	<b>-</b>	<b>10,913,892</b>
<b>Change in Net Assets</b>	<b>83,008</b>	<b>741,752</b>	<b>824,760</b>
<b>Net Assets, Beginning of Year</b>	<b>5,714,961</b>	<b>-</b>	<b>5,714,961</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,797,969</b>	<b>\$ 741,752</b>	<b>\$ 6,539,721</b>

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

**FRENCH AND MONTESSORI EDUCATION, INC.**  
**D/B/A AUDUBON CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 824,760
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Net Realized and Unrealized Loss on Investments	26,507
Depreciation	80,726
(Increase) Decrease in Assets	
Grants Receivable	(672,172)
Interest Receivable	3,732
Prepaid Expenses	(102,826)
Increase (Decrease) in Liabilities	
Accounts Payable	19,042
Accrued Liabilities	(78,008)
Deferred Revenue	2,202
	<u>2,202</u>
<b>Total Adjustments</b>	<u>(720,797)</u>
	<u>103,963</u>
<b>Cash Flows from Investing Activities</b>	
Sale of Investments	(57,865)
Purchases of Fixed Assets	(1,201,573)
	<u>(1,259,438)</u>
	<u>(1,259,438)</u>
<b>Net Decrease in Cash</b>	(1,155,475)
<b>Cash, Beginning of Year</b>	<u>3,308,430</u>
<b>Cash, End of Year</b>	<u>\$ 2,152,955</u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Organization**

French and Montessori Education, Inc. (FAME) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. FAME has applied to the Orleans Parish School Board (OPSB) to operate two Type 3 charter schools. The formation of the Organization was in response to the devastation left by Hurricane Katrina.

On January 12, 2006, the OPSB approved the charter of Audubon Charter School. The initial charter was granted for five years and was subsequently renewed for another five-year term during 2011. On May 20, 2017, the Organization entered into a ten (10) year charter school operating agreement for Audubon Charter School with the OPSB commencing July 1, 2017 and expiring June 30, 2027. Under this new agreement, Audubon Charter School will operate as its own Local Education Authority (LEA). The School serves eligible students in pre-kindergarten through eighth grade. The Organization entered into two leases with the OPSB to operate Audubon Charter School, both of which expire on June 30, 2021.

On April 21, 2018, the OPSB approved the charter of Audubon School Gentilly. The initial charter was granted for five years expiring June 30, 2023. Under this charter agreement, Audubon Schools Gentilly will operate as its own LEA. The School serves eligible students in pre-kindergarten through eighth grade.

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

**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.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting**

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

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Revenues**

The Organization's primary source of funding is through the State Public School Fund and the Orleans Parish School Board. The Organization received \$7,460,373 from the State and OPSB 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.

**Grants and Contributions Receivable**

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. Management does not estimate any amounts to be uncollectible. Grants and contributions receivable due in more than one year are recognized at fair value. The Organization uses a discount rate of 1.61% to discount long-term promises to give when the donor makes an unconditional promise to give to the Organization.

**Cash**

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Organization's bank accounts from donations received from individuals or entities who specified the use of the contribution. At June 30, 2018, there were no restricted cash balances.

FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

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Note 1. Summary of Significant Accounting Policies (Continued)

**Statement of Cash Flows**

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

**Fair Values of Financial Instruments**

The Organization follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the asset or liability;
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

1. *Common Stocks*. Valued at the closing price reported on the active market on which the individual securities are traded.

FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Fair Values of Financial Instruments (Continued)**

2. *Self-Directed Brokerage Accounts.* Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.
3. *Corporate Bonds.* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
4. *Mutual Funds.* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
5. *Stable Value Collective Trust Fund.* A stable value fund that is composed primarily of fully benefit-responsive investment contracts that is valued at the net asset value of units of the bank collective trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the Organization initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months' notification in order to ensure that securities liquidations will be carried out in an orderly business manner.
6. *U.S. Government Securities.* Valued using pricing models maximizing the use of observable inputs for similar securities.

The table in Note 8 sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

**Investments**

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the Organization's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest. Dividend and interest income is accrued when earned.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Fixed Assets and Depreciation**

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Organization. Depreciation expense for the year ended June 30, 2018, was \$80,726.

**Income Taxes**

The Organization is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain.

The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

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

**Concentrations**

The Organization received 64% of its revenues in the year ended June 30, 2018, from the Louisiana Department of Education, subject to its charter school contracts with the Orleans Parish School Board, 4% from other Louisiana state grant programs, and 7% of its funding from the federal government.

All of the students and employees of the Organization live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be recovered. The Organization periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2018, the Organization's bank balances were \$2,573,388. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$479,283. Deposits of \$2,096,904 were collateralized by securities pledged by the Organization's bank. In addition, \$19,694 was in a money market fund comprised of governmental securities which therefore is not subject to custodial credit risk and \$531,669 of certificates of deposits was outstanding at June 30, 2018.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**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 the Organization'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 an entity expects to be entitled to when products are transferred to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Organization is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position 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 activities. 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 Organization is evaluating the impact that ASU 2016-02 will have on its financial statements and related disclosures.

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. The new standard is effective for fiscal periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 2. Cash**

The Organization's cash (book balances) at June 30, 2018, was \$2,152,955, which is stated at cost and approximates market.

**Note 3. Investments**

Investments consisted of the following, as of June 30, 2018:

	Fair Market Value	Cost or Assigned Amount
Long-Term Certificates of Deposit	\$ 531,669	\$ 531,669
U.S. Treasury Bonds	310,279	317,319
Corporate Bonds	254,295	259,008
Mortgage Pass-Through Securities	125,362	130,641
Mutual Funds	175,872	179,608
<b>Total</b>	<b><u>\$ 1,397,477</u></b>	<b><u>\$ 1,418,245</u></b>

**Note 4. Grants Receivable**

As of June 30, 2018, gross grants receivable totaled \$1,200,016, which includes receivables for Minimum Foundation Program (MFP) payments, private grants and contributions receivable, and receivables for federal grants and state grants passed through the Louisiana Department of Education. All receivables are considered to be fully collectible.

Long-term grants receivable are presented net of present value discounts for long-term grants and contributions receivable totaling \$11,098. Long-term grants and contributions receivable are expected to be received through June 30, 2020.

**Note 5. Deferred Revenue**

As of June 30, 2018, deferred revenue of \$94,341 consisted of pre-K fees and consumables fees collected for the 2018-2019 school year.

FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

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**Note 6. Accrued Expenses**

Accrued expenses consisted of the following, as of June 30, 2018:

Payroll Deductions and Withholdings	\$	18,288
Accrued Payroll		<u>9,278</u>
<b>Total</b>	<b>\$</b>	<b><u>27,566</u></b>

**Note 7. Retirement Plans**

**Teachers' Retirement System of Louisiana (TRSL)**

Certain employees of the Organization participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows.

*Plan Description*

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123. At June 30, 2017, the TRSL was 64.5% funded.

*Funding Policy*

Plan members are required to contribute 8% of their annual covered salary. The Organization is required to contribute at an actuarially determined rate. During the year ended June 30, 2018, the employer contribution rate was 26.6%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The Organization's contribution to the plan for the year ended June 30, 2018, was \$1,539,911.

**403(b) Plan**

During January 2018, the Organization established a 403(b) plan which went into effect on August 1, 2018. Certain employees of the Organization participate in this 403(b) sponsored by the Organization. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. The 403(b) plan offers a discretionary match which is determined annually by the Organization. The 403(b) plan also offers a discretionary employer contribution, which is determined annually by the Organization. Eligible employees become fully vested in their allocated discretionary matching and employer contributions after four years of service with the Organization.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 8. Fair Value of Financial Instruments**

The Organization's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of the Organization's accounting policies and valuation procedures.

The valuation of the Organization's assets measured at fair value on a recurring basis at June 30, 2018, was as follows:

	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Long-Term Certificates of Deposit	\$ 531,669	\$ -	\$ -	\$ 531,669
U.S. Treasury Bonds	310,279	-	-	310,279
Corporate Bonds	254,295	-	-	254,295
Mortgage Pass-Through Securities	-	125,362	-	125,362
Mutual Funds	175,872	-	-	175,872
<b>Total Investments</b>	<b>\$ 1,272,115</b>	<b>\$ 125,362</b>	<b>\$ -</b>	<b>\$ 1,397,477</b>

The FASB issued a standards update pertaining to *Fair Value Measurement and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share.

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash.

Listed below are the carrying amounts of financial instruments which approximate fair value at June 30, 2018:

	Carrying Amount	Fair Value
Financial Assets		
Cash	\$ 2,152,955	\$ 2,152,955
Program-Related Receivables	847,016	847,016
Interest Receivable	4,182	4,182
Investments	1,397,477	1,397,477
Financial Liabilities		
Accounts Payable	133,097	133,097
Accrued Expenses	27,566	27,566

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 9. Restrictions on Net Assets**

Temporarily restricted net assets are restricted by donors for specific programs, purposes, time periods, or to assist specific departments of the Organization. These restrictions are considered to expire when payments for restricted purposes and time periods are made.

Temporarily restricted net assets as of June 30, 2018, totaled \$741,752 and were restricted for future time periods, pre-k programs, Montessori training, professional development for school leaders, and capital expenditures at Audubon Gentilly Schools.

**Note 10. Commitments and Contingencies**

During April 2018, the Organization entered into a construction agreement for renovations to the Audubon Schools Gentilly campus totaling an estimated \$1,910,600. Subsequent to year end, the Organization entered into various change orders associated with this agreement. The amended agreement currently totals an estimated \$2,129,286.

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries and illnesses; natural disasters; and health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2018.

**Note 11. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 11, 2018, and determined that the following events occurred that require disclosure:

During July 2018, the Organization entered into a lease agreement with the OPSB for the Audubon Schools Gentilly campus facilities. The lease agreement is contingent upon the existence of the charter operating agreement between the Organization and the OPSB for Audubon School Gentilly. The lease requires that the Organization develop and maintain a capital fund reserve based on the estimated value of the leased property by June 30, 2021. As of June 30, 2018, the Organization was required to have \$153,850 in the capital fund reserve, which is currently included in the Organization's operating account. The lease expires June 30, 2048.

No subsequent events occurring after this date have been evaluated for inclusion in these 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  
French and Montessori Education, Inc.  
d/b/a Audubon Charter School and Audubon Schools Gentilly  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of French and Montessori Education, Inc., d/b/a Audubon Charter School and Audubon Schools Gentilly (the Organization), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Organization 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 I. Management of the Organization is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

Findings: None.

### Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None.

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

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

Findings: For ten (10) individuals selected, the years of experience reported on the PEP data did not agree to the individuals' personnel files.

Management's Response: The years of experience for the employees has been updated in our system and reported on the current year 10/1 report.

### Public School Staff Data: Average Salaries (NO SCHEDULE)

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

Findings: For seven (7) individuals selected, the annual minutes worked count, and therefore their full-time equivalent status, did not agree to the individuals' personnel files.

Management's Response: The annual minutes count were updated in our files.

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

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

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

A Professional Accounting Corporation

Covington, LA  
December 11, 2018

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
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**

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**Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2018**

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures**

**Teacher and Student Interaction Activities**

Classroom Teacher Salaries	\$ 3,033,310
Other Instructional Staff Salaries	1,066,548
Instructional Staff Employee Benefits	1,495,885
Purchased Professional and Technical Services	85,008
Instructional Materials and Supplies	186,481
Instructional Equipment	-

**Total Teacher and Student Interaction Activities** \$ 5,867,232

Other Instructional Activities 79,274

Pupil Support Services 514,820

Less: Equipment for Pupil Support Services -

**Net Pupil Support Services** 514,820

Instructional Staff Services 381,968

Less: Equipment for Instructional Staff Services -

**Net Instructional Staff Services** 381,968

School Administration 967,613

Less: Equipment for School Administration -

**Net School Administration** 967,613

**Total General Fund Instructional Expenditures** \$ 7,810,907

**Total General Fund Equipment Expenditures** \$ -

**Certain Local Revenue Sources**

**Local Taxation Revenue**

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-

**Total Local Taxation Revenue** \$ -

**Local Earnings on Investment in Real Property**

Earnings from 16<sup>th</sup> Section Property \$ -

Earnings from Other Real Property -

**Total Local Earnings on Investment in Real Property** \$ -

**State Revenue in Lieu of Taxes**

Revenue Sharing - Constitutional Tax \$ -

Revenue Sharing - Other Taxes -

Revenue Sharing - Excess Portion -

Other Revenue in Lieu of Taxes -

**Total State Revenue in Lieu of Taxes** \$ -

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

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

FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Class Size Characteristics  
As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	70%	293	30%	123	0%	1		
Elementary Activity Classes	28%	12	72%	31				

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

**SUPPLEMENTARY INFORMATION**

FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Board of Directors  
For the Year Ended June 30, 2018

<u>Board Members</u>	<u>Compensation</u>
Dr. Erica A. Murray (Chair) <i>(Departed Board Subsequent to June 30, 2018)</i>	\$-0-
Javier Jalice (Vice Chair)	\$-0-
Eva Alito (Secretary)	\$-0-
Calvin Tregre (Treasurer)	\$-0-
Derek Bardell	\$-0-
Brendan Connick	\$-0-
Ramona Fernandez	\$-0-
Daniel Held	\$-0-
Rachel Van Vorhees Kirschman	\$-0-
Byron Lilly	\$-0-
Dorcas Omojola	\$-0-
Melissa Russell	\$-0-

See independent auditor's report.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Compensation, Benefits, and Other Payments  
to Agency Head  
For the Year Ended June 30, 2018**

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**Agency Head**  
Latoye Brown, CEO

<b>Purpose</b>	<b>Amount</b>
Salary	\$110,001
Benefits - Insurance	\$4,292
Benefits - Retirement	\$29,260
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$340
Reimbursements	\$2,767
Travel	\$0
Registration Fees	\$995
Conference Travel	\$1,508
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors  
French and Montessori Education, Inc.  
d/b/a Audubon Charter School and Audubon Schools Gentilly  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School and Audubon Schools Gentilly (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

A Professional Accounting Corporation

Covington, LA  
December 11, 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  
French and Montessori Education, Inc.  
d/b/a Audubon Charter School and Audubon Schools Gentilly  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited French and Montessori Education, Inc.'s, d/b/a Audubon Charter School and Audubon Schools Gentilly (the Organization), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Organization's major federal programs.

**Auditor's Responsibility**

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

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

### **Opinion on Major Federal Programs**

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

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those 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

Covington, LA  
December 11, 2018

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b><u>United States Department Agriculture</u></b>			
Passed through the Louisiana Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553	Unknown	\$ 28,916
National School Lunch Program	10.555	Unknown	<u>148,655</u>
Total Child Nutrition Cluster			<u>177,571</u>
Child and Adult Care Food Program	10.558	Unknown	17,473
Summer Food Service Program	10.559	Unknown	<u>5,998</u>
<b>Total United States Department of Agriculture</b>			<u>201,042</u>
<b><u>United States Department of Transportation</u></b>			
Passed through the Louisiana State Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	H.010112	<u>51,301</u>
<b>Total United States Department of Transportation</b>			<u>51,301</u>
<b><u>United States Department of Education</u></b>			
Passed through the Louisiana Department of Education			
Title I Grants to Local Education Agencies (LEAs) *	84.010A	28-18-T1-WZ	<u>341,519</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	28-18-B1-WZ	157,606
Special Education--Preschool Grants (IDEA Preschool)	84.173A	28-18-P1-WZ	<u>7,245</u>
Total Special Education Cluster *			164,851
Title II Supporting Effective Instruction State Grants	84.367A	28-18-50-WZ	<u>30,128</u>
<b>Total United States Department of Education</b>			<u>536,498</u>
<b><u>United States Department of Health and Human Services</u></b>			
Passed through the Louisiana Department of Education			
Temporary Assistance for Needy Families (TANF)	93.558B	28-18-36-WZ	<u>72,393</u>
<b>Total United States Department of Health and Human Services</b>			<u>72,393</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 861,234</u>

\* Denotes Major Program

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. 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**

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

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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**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   |               |
| 84.010A - Title I Grants to Local Education Agencies  |               |
| 84.027A and 84.173A – Special Education Cluster   |               |
| 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.

**FRENCH AND MONTESSORI EDUCATION, INC.  
D/B/A AUDUBON CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2018**

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**Section II. Internal Control Over Financial Reporting**

None.

**Section III. Compliance and Other Matters**

None.

**AGREED-UPON PROCEDURES REPORT**  
Audubon Charter School

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

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

To Audubon Charter School and  
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Audubon Charter School (Audubon) 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. Audubon'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:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c. ***Disbursements***, including processing, reviewing, and approving.
  - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (LRS) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. Note: Debt service requirements are not applicable to nonprofits.

Results: Audubon's policies and procedures did not address how vendors are added to the system for purchasing. All other applicable functions were addressed in Audubon's policies and procedures. Functions that were determined to not be applicable were items i) Ethics and j) Debt Service.

Management's Response: Audubon will amend their policies to include how vendors are added to the purchasing system.

### ***Bank Reconciliations***

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2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date. Bank reconciliations did not include evidence that a member of management or a board member with no involvement in the transactions associated with the bank account had reviewed each reconciliation. For one bank reconciliation selected, noted one transaction that was over 12 months which included evidence of management review.

Management's Response: Audubon prepares a bank reconciliation within 1 month of the statements closing date, and are subsequently reviewed by members of the finance committee.

### ***Collections***

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3. 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 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions noted.

4. 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. 5 collection locations for 5 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 that the primary person responsible for collecting cash can also bring the deposit to the bank and record the transaction into the general ledger.

Management's Response: Audubon has implemented a procedure in which the primary person collecting cash at each campus is separate from the person who brings the deposit to the bank. Teachers are required to bring in a cash collection log as support for the deposit amount. General Ledger transactions are reviewed by the Chief Financial Officer prior to their final posting into the accounting software.

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

Results: No exceptions noted.

6. Randomly select two deposit dates for each of the 5 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 Audubon is a charter school, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. Audubon receives all such public funds via ACH transfer. Audubon noted no public funds that were received as cash during the fiscal year. As such, there were no public cash collections transactions to report for testing.

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

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7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions noted.

8. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b. At least two employees are involved in 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.
  - 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: Certain employees responsible for processing payments prior to signature are capable of adding/modifying vendor files. No evidence of independent vendor file review was noted. The person responsible for mailing payments is involved in the processing of payments.

Management's Response: Audubon will implement a policy to restrict the employees involved in processing payments, access to add or modify the vendor file ,and to have a separate person mail the payments. Management will also review the master vendor file periodically. Audubon's policy requires 2 signatures on all check payments. Employees with the ability to process payments are not authorized signatories on file at our banks.

9. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a. Observe that the disbursement matched the related original invoice/billing statement.
  - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted.

### **Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

10. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

### **Contracts**

11. Obtain 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. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted.

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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  
December 11, 2018