

**ADVOCATES FOR ACADEMIC
EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2019 and 2018



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Independent Auditor's Report

To the Board of Directors
Advocates for Academic Excellence in Education, Inc.
D/B/A Benjamin Franklin High School
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net asset, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the School adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The performance and statistical data, included as schedules 1 and 2 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 December 20, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 20, 2019

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,922,565	\$ 5,119,391
Grants Receivable	483,415	485,868
Student, Class, and Course Fees Receivable, Net	270,052	281,244
Promises to Give	52,775	54,475
Prepaid Expenses	22,533	142,263
Total Current Assets	5,751,340	6,083,241
Fixed Assets		
Property and Equipment, Net	779,926	527,372
Total Fixed Assets, Net	779,926	527,372
Total Assets	\$ 6,531,266	\$ 6,610,613
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 294,473	\$ 534,570
Accrued Expenses	195,643	172,583
Total Current Liabilities	490,116	707,153
Net Assets		
Without Donor Restrictions	5,217,637	5,007,277
With Donor Restrictions	823,513	896,183
Total Net Assets	6,041,150	5,903,460
Total Liabilities and Net Assets	\$ 6,531,266	\$ 6,610,613

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
State and Local Public School Funding Grants	\$ 9,460,932	\$ -	\$ 9,460,932
Federal Grants	347,827	-	347,827
Other State Grants	66,708	-	66,708
Contributions	231,363	438,419	669,782
Class and Course Fees	476,960	-	476,960
Student Activity Fees	194,533	-	194,533
In-Kind Donations	119,188	-	119,188
Interest Income	15,640	-	15,640
Other Revenue	12,199	-	12,199
Net Assets Released from Restrictions	511,089	(511,089)	-
Total Revenue, Grants, and Other Support	11,436,439	(72,670)	11,363,769
Expenses			
Program Services			
Student Instruction and Activities	10,087,815	-	10,087,815
Supporting Services			
Management and General	862,692	-	862,692
Fundraising	275,572	-	275,572
Total Expenses	11,226,079	-	11,226,079
Change in Net Assets	210,360	(72,670)	137,690
Net Assets, Beginning of Year	5,007,277	896,183	5,903,460
Net Assets, End of Year	\$ 5,217,637	\$ 823,513	\$ 6,041,150

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

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
State and Local Public School Funding Grants	\$ 8,928,227	\$ -	\$ 8,928,227
Federal Grants	174,232	84,388	258,620
Other State Grants	225,051	-	225,051
Contributions	229,428	530,042	759,470
Class and Course Fees	539,503	-	539,503
Student Activity Fees	158,311	-	158,311
In-Kind Donations	40,269	-	40,269
Interest Income	15,139	-	15,139
Other Revenue	56,414	-	56,414
Net Assets Released from Restrictions	315,988	(315,988)	-
Total Revenue, Grants, and Other Support	10,682,562	298,442	10,981,004
Expenses			
Program Services			
Student Instruction and Activities	9,609,515	-	9,609,515
Supporting Services			
Management and General	960,461	-	960,461
Fundraising	286,621	-	286,621
Total Expenses	10,856,597	-	10,856,597
Change in Net Assets	(174,035)	298,442	124,407
Net Assets, Beginning of Year	5,181,312	597,741	5,779,053
Net Assets, End of Year	\$ 5,007,277	\$ 896,183	\$ 5,903,460

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

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services		Supporting Services		Total
	Student Instruction and Activities	Management and General	Fundraising		
Salaries	\$ 5,672,641	\$ 235,614	\$ 149,576	\$ 6,057,831	
Employee Benefits	2,057,697	63,060	51,234	2,171,991	
Materials and Supplies	417,541	57,565	674	475,780	
Professional Services	252,487	172,310	30,356	455,153	
Repairs and Maintenance	290,373	96,791	-	387,164	
Student Activities	347,924	-	-	347,924	
Admin Fees	182,465	-	-	182,465	
Insurance	125,655	41,885	-	167,540	
Utilities	99,149	33,050	-	132,199	
Communications	94,036	31,345	5,873	131,254	
Textbooks and Workbooks	127,904	-	-	127,904	
Payroll Tax Expense	102,844	2,756	2,169	107,769	
Technology	64,042	21,347	-	85,389	
Dues and Fees	26,688	35,912	960	63,560	
Depreciation Expense	44,582	14,860	-	59,442	
Meal/Travel	25,324	25,959	8,150	59,433	
Building Lease	59,170	-	-	59,170	
Printing	32,264	10,755	15,806	58,825	
Student Transportation	34,375	-	-	34,375	
Other Expenses	-	18,713	3,775	22,488	
Advertising	14,626	770	6,999	22,395	
Food Services	16,028	-	-	16,028	
Total Expenses	\$ 10,087,815	\$ 862,692	\$ 275,572	\$ 11,226,079	

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

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services		Supporting Services		Total
	Student Instruction and Activities	Management and General	Fundraising		
Salaries	\$ 5,173,460	\$ 238,052	\$ 167,585	\$ 5,579,097	
Employee Benefits	1,848,980	83,562	64,649	1,997,191	
Materials and Supplies	613,528	100,155	459	714,142	
Repairs and Maintenance	370,128	92,532	-	462,660	
Professional Services	207,187	180,181	12,110	399,478	
Student Activities	273,622	-	-	273,622	
Insurance	132,652	44,217	-	176,869	
Utilities	131,596	43,865	-	175,461	
Admin Fees	174,452	-	-	174,452	
Textbooks and Workbooks	143,668	-	-	143,668	
Dues and Fees	85,959	32,610	845	119,414	
Communications	74,521	24,840	-	99,361	
Payroll Tax Expense	86,761	3,452	2,430	92,643	
Depreciation Expense and Loss on Disposal	58,451	19,484	-	77,935	
Technology	53,663	17,888	-	71,551	
Building Lease	59,170	-	-	59,170	
Meal/Travel	23,426	28,331	6,946	58,703	
Printing	19,908	6,636	29,497	56,041	
Other Expenses	6,682	43,327	2,100	52,109	
Student Transportation	31,875	-	-	31,875	
Advertising	25,246	1,329	-	26,575	
Food Services	14,580	-	-	14,580	
Total Expenses	\$ 9,609,515	\$ 960,461	\$ 286,621	\$ 10,856,597	

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

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 137,690	\$ 124,407
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used in) by Operating Activities		
Depreciation	59,442	50,751
Loss on Disposal of Equipment	-	27,183
Contributions Restricted for Endowment Purposes	(2,720)	(2,860)
(Increase) Decrease in Assets		
Grants Receivable	2,453	(339,563)
Student, Class, and Course Fees Receivable	11,192	(72,479)
Promises to Give	1,700	(50,270)
Prepaid Expenses	119,730	(78,390)
Increase (Decrease) in Liabilities		
Accounts Payable	(240,097)	157,876
Accrued Expenses	23,060	6,886
Net Cash Provided by (Used in) Operating Activities	112,450	(176,459)
Cash Flows from Investing Activities		
Property and Equipment Purchases	(311,996)	(113,490)
Net Cash Used in Investing Activities	(311,996)	(113,490)
Cash Flows from Financing Activities		
Collections of Endowment Gifts	2,720	2,860
Net Cash Provided by Financing Activities	2,720	2,860
Net Decrease in Cash and Cash Equivalents	(196,826)	(287,089)
Cash and Cash Equivalents, Beginning of Year	5,119,391	5,406,480
Cash and Cash Equivalents, End of Year	\$ 4,922,565	\$ 5,119,391

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Advocates for Academic Excellence in Education, Inc., (AAEE, Inc.) which governs Benjamin Franklin High School (the School), incorporated on October 25, 2005. The School opened in 1957 as a magnet high school under Orleans Parish School Board (OPSB). In January 2006, the School became a charter school, maintaining its admission requirements, under the governance of AAEE, Inc. and OPSB as the Local Education Authority (LEA). On May 10, 2017, the School amended its operating agreement with OPSB so that, effective July 1, 2017, the School began to operate as its own LEA. The School's mission is to prepare students of high academic achievement to be successful in life. The School provides student instruction and activities programs.

Friends of Franklin (Friends), a nonprofit corporation organized on a non-stock basis, was incorporated in December 2018 as a supporting organization for the benefit of AAEE, Inc. and the School.

Orleans Parish School Board approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 charter school, as defined in Louisiana Revised Statute (LRS) 17:3973(3)(b). On June 21, 2011, the OPSB voted to renew the charter for a period of 10 years, expiring on June 30, 2021.

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

Financial Statement Presentation

The accompanying financial statements include the accounts of AAEE, Inc. and its affiliate, Friends of Franklin (Friends). AAEE, Inc. has controlling financial interest through direct ownership of a majority voting interest in Friends and has an economic interest in Friends. Friends had no activity during the year ended June 30, 2019 and had no statement of financial position as of June 30, 2019.

Basis of Net Asset Presentation

The School reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School 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 conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The payroll expenses that are allocated are allocated based on management's estimate of periodic time and expense evaluations. The allocated non-payroll expenses are allocated based on management's knowledge that roughly 75% of the operations can be attributed to providing an education to the 990 students enrolled. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School. Expenses allocated during the year ended June 30, 2019 and 2018 include salaries, employee benefits, payroll tax expense, repairs and maintenance, utilities, advertising, communications, technology, printing, insurance, and depreciation.

Cash and Cash Equivalents

Cash consists 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 School's bank accounts from donations received from individuals or entities who specified the use of the contribution. For purposes of the statements of cash flows, the School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. For the years ended June 30, 2019 and 2018, the School did not have any cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All unconditional promises to give are recognized as assets and revenues. Management believes that all unconditional promises to give are collectible.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Grants Receivable

The grants receivable is stated at the amount management expects to collect on outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all grants receivable is collectible.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Repairs and maintenance are charged to expense as incurred. Major additions to physical plant and facilities and betterments with a purchased cost greater than \$5,000 are capitalized. Property and equipment donated to the School are capitalized at the fair market value at the date donated. Depreciation is provided utilizing the straight-line method over estimated useful lives of the assets.

Compensated Absences

The School provides compensated absences in the form of Personal Time Off and Family Leave. All ten-month employees are provided ten days of paid leave per year to be used for illness or personal leave. All eleven-month employees receive eleven days of paid leave for illness or personal leave. All twelve-month employees receive ten days of paid leave for illness or personal leave and fifteen vacation days. Family Leave is provided when an employee qualifies for leave under the Family Medical Leave Act. The employee shall be eligible to receive 60% of regular pay for a period of up to two weeks per the rolling period specified by the School's policy. Personal time off is allocated July 1st of each year and is available through June 30th of the following year. Employees are able to bank five unused days from year to year, up to a maximum of ten days. Any remaining time is reported to the Teachers' Retirement System of Louisiana for service credit calculation purposes at retirement. All other employees receive the same provisions for compensated absences as those under the collective bargaining agreement (CBA), with the exception of the executive cabinet members, who receive twenty vacation days. Compensated absences and the related benefits accrued as of June 30, 2019 and 2018, totaled \$208,790 and \$194,093, respectively, which are included in accrued expenses on the statements of financial position.

Contributions and Revenue Recognition

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions and Revenue Recognition (Continued)

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related expenses by the School, or when earned under the terms of the grant.

In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$119,188 and \$40,269, for the years ended June 30, 2019 and 2018, respectively, and included donations of classroom and building improvements, laptops and other computer equipment, musical instruments, books, vacations to be raffled, registration for academic related competitions, and other items.

Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School'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 School believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

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

Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including those expenses related to fundraising appeals in a subsequent year.

Advertising

Advertising costs, which are included in program expenses, fundraising expenses, and general and administrative expenses, are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018, totaled \$22,395 and \$26,575, respectively.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education (LDOE), United States Department of Education (USDOE), or other state or federal agency are funds earned by the School to be used for the purpose for which they were acquired. 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.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the Financial Accounting Standard Board (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 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, 2020. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. ASU 2018-08 is effective for the School on July 1, 2020. Management is currently evaluating the impact ASU 2018-08 will have on the financial statements.

Recent Accounting Pronouncements - Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no reclassification of net assets.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported changes in net assets.

Liquidity and Availability

The School's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. In addition, the School operates with a budget to monitor sources and uses of funds throughout the year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 4,099,052	\$ 4,223,208
Grants Receivable	483,415	485,868
Student, Class, and Course Fees Receivable, Net	270,052	281,244
Total	\$ 4,852,519	\$ 4,990,320

Note 2. Concentrations of Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be recovered. The School periodically maintains cash in bank accounts in excess of insured limits. However, the School has a written policy for custodial credit risk requiring collateralization of uninsured cash deposits. As of June 30, 2019 and 2018, the School's bank balances were \$4,933,891 and \$5,200,776, respectively.

As of June 30, 2019 and 2018, balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled approximately \$746,662 and \$746,416, respectively. The remaining deposits of \$4,187,229 and \$4,454,360, respectively, were uninsured. As of June 30, 2019 and 2018, deposits of \$4,132,736 and \$4,349,591, respectively, were invested in a repurchase agreement as part of an overnight sweep account. These invested deposits were not FDIC insured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name. Remaining uninsured and uncollateralized deposits as of June 30, 2019 and 2018, total \$201,392 and \$104,769, respectively. The School has not experienced any losses and does not believe that significant credit risk exists as a result of its cash management practices.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 2. Concentrations of Risk (Continued)

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the years ended June 30, 2019 and 2018, which totaled \$9,875,467, or 87%, and \$9,411,898, or 86%, of total revenue, respectively.

All students of the School live within Orleans Parish and employees live within the Greater New Orleans area.

Note 3. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2019 and 2018, were \$4,922,565 and \$5,119,391, respectively, which are stated at cost and approximate market.

Note 4. Property and Equipment

Property and equipment composition as of June 30, 2019 and 2018, was as follows:

	2019	2018
Machinery and Equipment	\$ 581,906	\$ 523,817
Site Improvements	198,385	173,008
Building and Building Improvements	510,388	510,388
Construction in Progress	228,532	-
	<u>1,519,211</u>	<u>1,207,213</u>
Less: Accumulated Depreciation	(739,285)	(679,841)
Property and Equipment, Net	<u><u>\$ 779,926</u></u>	<u><u>\$ 527,372</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018, totaled \$59,442 and \$50,751, respectively.

Note 5. Retirement Plan

Substantially all employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of 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, 2018, the TRSL was 68.2% funded.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 5. Retirement Plan (Continued)

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

For the years ended June 30, 2019 and 2018, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 26.7% and 26.6%, respectively, of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement System's Actuarial Committee. For the years ended June 30, 2019 and 2018, the School's contributions to this plan totaled \$1,515,140 and \$1,427,891, respectively.

Note 6. Endowment Fund

The Endowment

The School's endowment fund (the Endowment) was established primarily for the purpose of maintaining the School and consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The School accounts for donor-restricted funds consistent with the provisions of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Louisiana.

The School's Board of Directors seek to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the School retains in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment, and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 6. Endowment Fund (Continued)

In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the School and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the School; and
- The investment policies of the School.

Endowment net asset composition as of June 30, 2019 and 2018, was as follows:

June 30, 2019	With Donor Restrictions
Donor-Restricted Funds	\$ 145,481
<hr/>	
June 30, 2018	With Donor Restrictions
Donor-Restricted Funds	\$ 142,661

Changes in endowment net assets for the years ended June 30, 2019 and 2018, were as follows:

June 30, 2019	With Donor Restrictions
Net Assets, Beginning of Year	\$ 142,661
Contributions	2,820
Net Assets, End of Year	\$ 145,481
<hr/>	
June 30, 2018	With Donor Restrictions
Net Assets, Beginning of Year	\$ 139,801
Contributions	2,860
Net Assets, End of Year	\$ 142,661

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 6. Endowment Fund (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the School to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations. There were no such deficiencies as of June 30, 2019 or 2018.

Return Objectives and Risk Parameters

Upon accumulating \$500,000 in contributions in the endowment fund, the endowment will be invested with the intention of obtaining general market returns with a minimum amount of investment and management expenses. Until such accumulation occurs, the endowment is invested to maintain preservation of principal.

Strategies Employed for Achieving Objectives

The endowment funds are invested in an interest-bearing savings account.

Spending Policy and How Investment Objectives Relate to the Spending Policy

Spending of interest earned by the endowment funds will be generally related to the operation of the School.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made, unless perpetually restricted. None of the net assets are time-restricted by donors. Net assets with donor restrictions as of June 30, 2019 and 2018, are available for the following purposes:

	2019	2018	
Athletics	\$ 477,769	\$ 601,888	
Academics	45,313	37,015	
Auditorium	3,088	3,088	
After School Activities	47,840	37,134	
Scholarship	58,518	34,522	
Professional Development	-	2,867	
Class Reunion Gifts	29,097	24,477	
Guidance	6,220	6,387	
Library	10,187	6,010	
Building Maintenance	-	134	
Perpetual Endowment	145,481	142,661	See Note 6
Total	\$ 823,513	\$ 896,183	

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Net Assets with Donor Restrictions (Continued)

As discussed in Note 6, perpetually restricted net assets of \$145,481 and \$142,661, as of June 30, 2019 and 2018, respectively, relate to an operating endowment to be held in perpetuity. The income from endowment investments is expendable for operations.

Note 8. Union Contracts

On May 15, 2014, the Board of Directors voted to voluntarily recognize the United Teachers of New Orleans, Local 527, LFT, AFT, AFL-CIO (the Union) as the exclusive bargaining representative for the purpose of negotiating a collective bargaining agreement (CBA) under a voluntary recognition agreement to be negotiated by the board president and subject to board approval. On March 19, 2015, the School's Board and the Union finalized the CBA with an initial three-year term including the June 30, 2015 fiscal year and ending June 30, 2017. On September 29, 2017, the School's Board and the Union entered into an updated CBA expiring on June 30, 2021.

As part of the CBA, the School is required to provide certain compensation and benefits to eligible bargaining unit employees, including:

- A salary that is determined using a salary scale approved by the Union and based on years of relevant experience and level of education;
- Provisions for personal leave days as compensated absences (Note 1);
- Continuing to pay 80% of the premium costs for medical, dental, and vision coverage; and
- Continuing to provide retirement benefits through TRSL or as provided by applicable law.

Note 9. School Operations/Leasehold Interest

Effective January 1, 2006, the School entered into an agreement with the OPSB, which allows the School to use the facilities and its contents located at 2001 Leon C. Simon Boulevard or any other locations as may be approved by the School and the OPSB. On June 21, 2011, the OPSB voted to renew the agreement for a period of ten years through June 30, 2021.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. If capital improvements are made by the School with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the OPSB at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 9. School Operations/Leasehold Interest (Continued)

Use of the property is not recorded as an in-kind contribution from the OPSB, nor as a related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

The School entered into a separate lease agreement with the University of New Orleans (UNO), a related party, for additional classroom space. UNO is considered a related party as the president of UNO is a board member for the School. On August 1, 2019, the lease was extended through July 31, 2020. The lease requires monthly payments of \$4,931 during the lease period.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 59,172
2021	<u>4,931</u>
Total	<u>\$ 64,103</u>

Note 10. Risk Management

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2019 or 2018.

Note 11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2019, and determined that no events occurred that require disclosure.

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
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
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 Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), 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 School for the fiscal year ended June 30, 2019, 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 the School 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 ten classes to the October 1st roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None.

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

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: None.

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: None.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, 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

Covington, LA
December 20, 2019

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2019**

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.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2019**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 3,206,110	
Other Instructional Staff Salaries	378,888	
Instructional Staff Employee Benefits	1,397,685	
Purchased Professional and Technical Services	30,585	
Instructional Materials and Supplies	193,221	
Instructional Equipment	-	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 5,206,489
Other Instructional Activities		8,721
Pupil Support Services	909,425	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
Net Pupil Support Services		909,425
Instructional Staff Services	135,192	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		135,192
School Administration	1,559,605	
Less: Equipment for School Administration	-	
	<hr/>	
Net School Administration		1,559,605
		<hr/>
Total General Fund Instructional Expenditures		\$ 7,819,432
		<hr/>
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	-	
	<hr/>	
Total Local Taxation Revenue		\$ -
		<hr/>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
Total Local Earnings on Investment in Real Property		\$ -
		<hr/>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
Total State Revenue in Lieu of Taxes		\$ -
		<hr/>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	
	<hr/>	

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

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2018

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
High	53%	216	41%	166	4%	16	2%	7
High Activity Classes	58%	20	15%	5	21%	7	6%	2

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

SUPPLEMENTARY INFORMATION

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2019**

<u>Board Members</u>	<u>Compensation</u>
Mr. Lester F. Alexander III	\$-0-
Mr. Mark I. Baum, Secretary/Treasurer	\$-0-
Mr. Wayne Collier	\$-0-
Mrs. Alea M. Cot	\$-0-
Mrs. Charmaine Cooper Hussain	\$-0-
Mr. Richard M. Ireland	\$-0-
Mrs. Tandra LeMay	\$-0-
Mrs. Saundra Katz Levy	\$-0-
Mrs. Jennifer Mann	\$-0-
Mr. Allen Miller	\$-0-
Dr. John W. Nicklow	\$-0-
Mr. Todd Ragusa	\$-0-
Mr. Allen Square Jr.	\$-0-
Mrs. Tania Tetlow	\$-0-
Mr. Stephen Tyler	\$-0-
Mr. Carlos Zervigon, Board President	\$-0-
Mr. Min D. Yang	\$-0-

See independent auditor's report.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2019**

Agency Head
Dr. Patrick Widhalm, Principal

Purpose	Amount
Salary	\$170,000
Benefits - Retirement	\$45,390
Benefits - Insurance	\$8,167
Contract Agreement	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$1,678
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
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
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
New Orleans, Louisiana

We have audited, 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, the financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

Covington, LA
December 20, 2019

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

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? | None |
| b. Significant deficiencies identified not considered to be material weaknesses? | None |
| c. Noncompliance noted? | None |

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings
For the Year Ended June 30, 2019**

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

AGREED-UPON PROCEDURES REPORT

Advocates for Academic Excellence in Education, Inc.,
d/b/a Benjamin Franklin High School

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2018 - June 30, 2019

To Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School) 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, 2018 through June 30, 2019. The School'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

1. Obtain and inspect the entity's written policies and procedures and observe that they 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***, including receiving, recording, and preparing deposits.

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

- 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, and (5) monitoring card usage.
- 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 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The following were identified as exceptions, as the School did not address the categories and subcategories within the respective policy and procedure:

- b) **Purchasing** - Exception identified noting that (2) how vendors are added to the vendor list; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes were omitted.
- f) **Contracting** - Exception identified noting that (1) types of services requiring written contracts; (2) standard terms and conditions; and (3) legal review were omitted.
- i) **Ethics** - Exception identified noting that the School does not maintain a separate ethics policy.
- k) **Disaster Recovery/Business Continuity** - Exception identified (1) identification of critical data and frequency of data backups; (3) periodic testing/verification that backups can be restored; (4) use of antivirus software on all systems; 5) timely application of all available system and software patches/updates, and; (6) identification of personnel, processes, and tools needed to recover operations after a critical event were omitted.

Bank Reconciliations

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 additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected 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: For all bank reconciliations selected, no evidence was noted that supports the bank reconciliations being prepared within two months of statement close. We noted no exceptions in the performance of procedure b) and c).

Collections

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 five deposit sites (or all deposit sites if less than five).

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. 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: No exceptions noted.

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 five bank accounts selected for procedure #2 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 the School is a charter school group, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. The School receives all such public funds via ACH transfer. The School noted no public funds that were received as cash during the fiscal year and that only student fees, student activity funds, private donations include cash deposits. As such, there were no transactions selected for testing.

Non-Payroll Disbursements (excluding card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases)

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

Results: No exceptions noted.

8. For each location selected under #7 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 purchases may be initiated, approved, and purchased by the same person, typically a department head or a member of the executive management team. The School has established a compensating control over all transactions by requiring dual signatures on all checks, thereby requiring two employees to be involved in every check disbursement. However, dual signatures/authentication is not required for certain disbursements paid via ACH or on reoccurring payment. Personnel responsible for processing payments are also able to add/modify vendor files within the accounting system. One of the two personnel responsible for signing checks is commonly responsible for mailing the checks after signature.

9. For each location selected under #7 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 five 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 #8, as applicable.

Results: No exceptions noted.

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

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions noted.

11. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: We noted that the credit card statements are reviewed and approved by the CFO, who also processes the payment on the card via ACH. One card is in the CFO's name. We noted that the School has established a compensating control over this process by having the card maintained in the accounting office and requiring a checkout log for usage. We noted that the School has also established a second compensating control over this process by having a board member review the statement on a monthly basis as part of the bank reconciliation review process.

Review and approval by someone other than the authorized card holder was noted on one (1) of three (3) sampled credit card statements. Two (2) of three (3) sampled credit card statements did not include evidence of review and approval. No finance charges nor late fees were noted.

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions noted.

Ethics

13. Randomly select five employees/officials from the list provided, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: When performing procedure a) no exceptions were noted. When performing procedure b) we noted that the School did not have an official written policy over ethics, and therefore there was no separate signed acknowledgement by employees.

* * * * *

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 and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

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

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

A Professional Accounting Corporation

Covington, LA
December 20, 2019



December 24, 2019

Mr. Daryl Purpera
Louisianan Legislative Auditor
1600 N. 3rd Street
Baton Rouge, LA 70802

Re: SAUP Management Response

Dear Mr. Purpera:

The purpose of this letter is to document the Management Responses to the Statewide Agreed Upon Procedures performed by LaPorte CPAs for Advocates for Academic Excellence in Education, Inc. dba Benjamin Franklin High School.

Written Policies

Purchasing – The School will review policies and add appropriate language regarding vendor approval, language to further ensure compliance with public bid laws specifically that copies of all bids received must be filed with signed/awarded bid and maintained with vendor payment.

Contracting – The School will review policies to add appropriate language regarding contracted services, terms of contracted services and legal review is included within the policy.

Ethics – The School has an Anti-Nepotism policy approved by the Board in June 2007. Additional language will be added to the policy to reflect the School’s practice of maintaining compliance with LA Ethics Code.

Disaster Recovery – The School will formalize a Disaster Recovery policy that includes exceptions noted.

Bank Reconciliations

The School will actively document bank reconciliation completion date is within two months of statement close.

Non-payroll Disbursements

The School has set purchasing policies and procedures with the goal of ensuring its primary mission, the academic success of its students, is achieved while also maintaining accountability for the use of funds. There are levels within the controls that allow for academic department heads or other employees with appropriate oversight of their related duties to initiate and approve purchases. Accountability is maintained through various aspects of expense processing. The School will continue to review policies relative to purchasing annually or more frequently as deemed necessary and institute changes to maintain accountability.

Credit Cards

The School has procedures in place to ensure credit card review and reconciliation is completed on a monthly basis by someone other than an authorized cardholder. We will begin documenting said review in writing to illustrate evidence of formal review.

Ethics

The School has maintained compliance with State Ethics laws by requiring employees and board members to complete annual ethics training, and submit completion certificates to support required annual training has been completed. The School will incorporate language into its existing Anti-Nepotism Policy regarding ethics requirements into the policy. We believe employees submitting their Ethics Training Completion Certificates illustrates their individual acknowledgement to maintain compliance with the law.

Thank you for the opportunity to respond to the exceptions noted during testing.

Sincerely,



Allison Bent
Chief Financial Officer
Advocates for Academic Excellence in Education, Inc.
Dba Benjamin Franklin High School