

**NEW BEGINNINGS SCHOOLS FOUNDATION**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**New Beginnings Schools Foundation**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **New Beginnings Schools Foundation (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**New Beginnings Schools Foundation**

**Auditors' Responsibility, Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Foundation** 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**New Beginnings Schools Foundation**

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (Schedule I), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying Combining Statement of Financial Position, Combining Statement of Activities, Combining Statement of Cash Flows and Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer (Schedules II through V) 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 taken as a whole.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
New Beginnings Schools Foundation

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, on our consideration of **the Foundation's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **the Foundation's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Foundation's** internal control over financial reporting and compliance.



**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

January 8, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

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<b><u>ASSETS</u></b>	
Cash (NOTES 1 and 13)	\$ 3,879,017
Cash - restricted (NOTES 1 and 3)	62,500
Grants receivable (NOTE 4)	1,183,080
Prepaid expenses and other assets	55,282
Property and equipment, net (NOTE 1 and 5)	<u>19,988</u>
 Total assets	 \$ <u><u>5,199,867</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
Liabilities:	
Accounts payable	\$ 861,414
Accrued liabilities (NOTE 6)	1,579,434
Student activity funds (NOTE 3)	62,500
Compensated absences (NOTE 7)	<u>128,902</u>
 Total liabilities	 <u>2,632,250</u>
Net Assets:	
Unrestricted	<u>2,567,617</u>
 Total net assets	 <u>2,567,617</u>
 Total liabilities and net assets	 \$ <u><u>5,199,867</u></u>

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Local sources:			
Minimum Foundation Program (NOTES 1 and 15) \$	9,825,406	\$ -	\$ 9,825,406
Contributions	8,663	-	8,663
Grants	135,452	-	135,452
Other	24,894	-	24,894
Net assets released from restriction (NOTE 9)	52,432	(52,432)	-
Total local sources	<u>10,046,847</u>	<u>(52,432)</u>	<u>9,994,415</u>
State sources:			
Minimum Foundation Program (NOTES 1 and 15)	7,691,412	-	7,691,412
Grants	36,222	-	36,222
Total state sources	<u>7,727,634</u>	<u>-</u>	<u>7,727,634</u>
Federal grants	<u>4,019,765</u>	<u>-</u>	<u>4,019,765</u>
Total revenues	<u>21,794,246</u>	<u>(52,432)</u>	<u>21,741,814</u>
<b><u>EXPENSES</u></b>			
Program Services:			
Instructional programs	12,220,486	-	12,220,486
Support Services:			
Pupil support services	2,834,316	-	2,834,316
Instructional staff services	1,627,669	-	1,627,669
General and administrative services	257,803	-	257,803
School administration	2,393,613	-	2,393,613
Business services	558,278	-	558,278
Operations and maintenance	3,281,204	-	3,281,204
Student transportation services	1,846,145	-	1,846,145
Central services	402,636	-	402,636
Food services operations	1,216,122	-	1,216,122
Depreciation	1,777	-	1,777
Total expenses	<u>26,640,049</u>	<u>-</u>	<u>26,640,049</u>
Change in net assets	(4,845,803)	(52,432)	(4,898,235)
Net assets, beginning of year	<u>7,413,420</u>	<u>52,432</u>	<u>7,465,852</u>
Net assets, end of year	<u>\$ 2,567,617</u>	<u>\$ -</u>	<u>\$ 2,567,617</u>

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES	SUPPORT SERVICES	
	Instructional Programs	Management and General	Total
Salaries and wages	\$ 7,785,035	\$ 5,185,192	\$ 12,970,227
Payroll taxes	104,756	90,197	194,953
Employee benefits	2,735,695	1,646,100	4,381,795
<b>Total salaries and related expenses</b>	<b>10,625,486</b>	<b>6,921,489</b>	<b>17,546,975</b>
Professional services	169,273	769,945	939,218
Materials and supplies	1,264,258	237,525	1,501,783
Student assessments	-	319,446	319,446
Repairs and maintenance	-	377,714	377,714
Utilities	-	520,767	520,767
Insurance	36,502	463,960	500,462
Transportation	-	1,846,145	1,846,145
Security	-	374,967	374,967
Food service	-	1,216,121	1,216,121
Internet, telephone and postage	-	142,545	142,545
Rental expense	69,205	322,182	391,387
Professional development	-	329,034	329,034
Dues and fees	-	360,092	360,092
Other expenses	55,762	54,972	110,734
Depreciation	-	1,777	1,777
Loss on disposal of assets	-	158,563	158,563
Interest	-	2,319	2,319
<b>Total expenses</b>	<b>\$ 12,220,486</b>	<b>\$ 14,419,563</b>	<b>\$ 26,640,049</b>

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (4,898,235)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,777
Loss on disposal of assets	158,563
Changes in Assets and Liabilities:	
Increase in grants receivable	(704,259)
Increase in prepaid expenses and other assets	(3,096)
Increase in accounts payable	331,863
Increase in accrued liabilities	279,276
Increase in student activity funds	18,152
Increase in compensated absences	<u>38,926</u>
Net cash used in operating activities	<u>(4,777,033)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments under capital lease	<u>(17,010)</u>
Net cash used in financing activities	<u>(17,010)</u>

Decrease in cash and restricted cash (4,794,043)

Cash and restricted cash, beginning of year 8,735,560

Cash and restricted cash, end of year \$ 3,941,517

Cash \$ 3,879,017

Cash - restricted 62,500

Total cash and restricted cash \$ 3,941,517

**Supplemental disclosure:**

Cash paid for interest \$ 2,319

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The **New Beginnings Schools Foundation (the Foundation)** was awarded a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2004 to operate a public charter school d/b/a Pierre A. Capdau Charter School (Capdau). Beginning with the 2017-2018 school year, Capdau transitioned back to Orleans Parish School Board governance and the charter was renewed for five (5) years.

**The Foundation** was awarded a second charter by BESE for Medard H. Nelson Charter School (Nelson) prior to the start of the 2005-2006 school year. The charter for Nelson was renewed in 2013 for five (5) years through the end of the 2018-2019 school year. On November 15, 2018 the Orleans Parish School Board announced that Nelson would be closed at the end of the 2018-2019 school year.

**The Foundation** was awarded its third charter from BESE for Lake Area New Tech Early College High School (Lake Area) prior to the start of the 2009-2010 school year. The charter for Lake Area was extended until the 2012-2013 school year and was renewed for three (3) years through the end of the 2014-2016 school year. Beginning with the 2016-2017 school year, Lake Area transitioned back to Orleans Parish School Board governance and the charter was renewed for three (3) years.

**The Foundation** was awarded its fourth charter by BESE for Gentilly Terrace Elementary School (Gentilly Terrace) prior to the start of the 2010-2011 school year. The Charter for Gentilly Terrace was renewed in December 2014 for three (3) years through the end of the 2016-2017 school year. Subsequent to June 30, 2017, Gentilly Terrace was closed and the attending students were merged into Capdau for the 2017-2018 school year.

**The Foundation** seeks to provide education services according to the educational standards established by law, the charter contract and the charter proposal; measures pupil progress toward stated goals; and participates in pupil assessments as required by law, regulation and BESE policy. **The Foundation's** mission states that the charter schools are a community of learners of which academic achievement and personal growth are expected and are supported in a positive, inclusive, and enriched environment.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

General, Continued

During the 2018 school year, **the Foundation** provided educational services to students in kindergarten through twelfth grades with a total enrollment from all charter schools of approximately 1,747 students. Capdau served 722 students in grades pre-kindergarten through eight, Nelson served 363 students in grades pre-kindergarten through eight, and Lake Area served 662 students in grades nine through twelve.

Basis of Accounting

**The Foundation's** financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed assets of **the Foundation** with a unit cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful life of the asset, generally three (3) to eight (8) years for improvements and for other property and equipment.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the Foundation**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The Foundation** had no cash equivalents at June 30, 2018.

Income Taxes

**The Foundation** is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **The Foundation** files as a tax-exempt organization. Should that status be challenged in the future, **the Foundation's** 2015, 2016 and 2017 tax years are open for examination by the IRS.

Financial Statement Presentation

For the year ended June 30, 2018, **the Foundation** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **the Foundation** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Accordingly, net assets and changes therein are classified and reported as follows:

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation, Continued

- Unrestricted net assets - Support, revenues, and expenses for the general operation of **the Foundation**.
- Temporarily restricted net assets - Contributions specifically authorized by the donor to be used for a certain purpose or to benefit a specific accounting period.
- Permanently restricted net assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the Foundation**. Generally, the donors of these assets permit **the Foundation** to use all or part of the income derived from the investment of these contributions.

At June 30, 2018, **the Foundation** had no temporarily or permanently restricted net assets.

Contributions

**The Foundation** accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*, in accounting for contributions received and contributions made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor-imposed restrictions.

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 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.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Minimum Foundation Program (MFP)

As Type 5 charter schools, Capdau, Nelson, and Lake Area received funding from BESE in an amount for pupils based on estimated daily attendance at the schools. The amount of funding received is adjusted during the school year based on October 1<sup>st</sup> and February 1<sup>st</sup> student counts and the result of any audits performed.

Other Funding

Other revenues received consist of federal and state grants, fees for meals served, and other revenue sources.

Budgetary Data

**The Foundation** formally adopts a budget. The budgetary data are submitted to the State of Louisiana, Department of Education for approval.

Interfund Activities

All interfund transactions, except quasi external transactions, advances and reimbursements are reported as operating transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers and recognized at the time the underlying event occurs. Interfund activities are netted at the combined financial statements level.

Date of Management's Review

**The Foundation** is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure to the financial statements. **The Foundation** performed such an evaluation through January 8, 2019, the date which the financial statements were available to be issued.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - FUNCTIONAL ALLOCATION EXPENSES:

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying Statement of Activities. Joint costs incurred at the Network level has been allocated based on the student population according to the MFP February 1<sup>st</sup> count.

NOTE 3 - STUDENT ACTIVITY FUNDS:

**The Foundation** maintains separate bank accounts for student activities. These accounts are collected for various activities from students and parents and restricted for their collected purpose. Should those funds not be used for the intended purpose, the funds may be returned to the students and parents from whom they were collected. Restricted student activity funds totaled \$62,500 at June 30, 2018 and were reported as restricted cash and liabilities.

NOTE 4 - GRANTS RECEIVABLE:

At June 30, 2018, grants receivable consist of the following sources:

U.S. Department of Education:	
Passed through State of Louisiana	
Department of Education	\$ 939,878
Passed through New Orleans	
Business Alliance	19,583
U.S. Department of Agriculture:	
Passed through State of Louisiana	
Department of Education	125,946
U.S. Department of Health and Human	
Services:	
Passed through State of Louisiana	
Department of Education	78,083
Agenda for Children	7,550
Other sources	<u>12,040</u>
Total grants receivable	<u>\$1,183,080</u>

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 5 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2018:

Furniture and equipment	\$ 5,057
Curriculum software	199,691
Curriculum e-books	123,301
Building improvements	525,841
Assets under capital lease	<u>47,705</u>
 Total property and equipment	 901,595
 Less: accumulated depreciation	 <u>(881,607)</u>
 Property and equipment, net	 <u>\$ 19,988</u>

Depreciation expense for the year ended June 30, 2018 was \$1,777.

NOTE 6 - ACCRUED LIABILITIES:

**The Foundation** accrues a liability for the portion of school employees' salaries that is withheld during the school year and distributed during the summer months ("summer spread liability"). At June 30, 2018, the balance of the summer spread liability was \$741,554 and is included in accrued liabilities on the statement of financial position.

NOTE 7 - COMPENSATED ABSENCES:

Substantially all twelve-month employees are allowed to accumulate vacation time up to a maximum of 300 hours. Earned and unused vacation time is paid out to the employees at their derived hourly rate of pay at the time of termination. **The Foundation** has accrued \$128,902 of unpaid leave as of June 30, 2018.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 8 - LEASE COMMITMENTS:

Effective for the 2017-2018 school year, Capdau was relocated to a newly constructed facility and **the Foundation**, as sublessee, entered into a sublease agreement for the new facility with Alexander School Facility LLC, the sublessor, which commenced on July 1, 2017. The sublease will remain in effect until the earlier of (1) the five-year anniversary of the Rent Commencement Date or (2) the last day of the term of **the Foundation's** Charter School Contract (inclusive of any renewals), unless either party provides written notice of its intent to terminate. Base rent under the sublease agreement is \$22,965 per month, increasing by one and a half percent (1.5%) on July 1, 2018 and on July 1 each year thereafter during the sublease term.

**The Foundation** also leases computer equipment under non-cancellable operating leases expiring at various times through October 31, 2020. Monthly lease payments for these leases total approximately \$10,565.

The following is a schedule showing the future minimum lease payments under **the Foundation's** non-cancellable operating leases:

<u>Year ending June 30,</u>	
2019	\$ 406,500
2020	396,092
2021	<u>319,289</u>
Total future minimum lease payments	<u>\$1,121,881</u>

For the year ended June 30, 2018, lease expense totaled \$391,387.

NOTE 9 - NET ASSETS ASSETS RELEASED FROM RESTRICTIONS:

For the year ended June 30, 2018, \$52,432 of temporarily restricted net assets were released from purpose restrictions for various initiatives. At June 30, 2018 there were no temporarily restricted net assets.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 10 - IN-KIND CONTRIBUTIONS:

During the year ended June 30, 2018, **the Foundation** received rent-free use of the Lake Area and Nelson school buildings, furniture and equipment from the Louisiana Recovery School District and the Orleans Parish School Board for Nelson and Lake Area. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

**The Foundation** also receives donated services from a number of unpaid volunteers assisting **the Foundation** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605 have not been satisfied, these donated services have not been recorded in the financial statements.

NOTE 11 - RETIREMENT SYSTEMS:

Substantially all employees of **the Foundation** are members of the Teacher's Retirement System of Louisiana (TRSL). During the year ended June 30, 2018, **the Foundation** had two (2) employees participating in the Louisiana State Employees' Retirement System (LASERS) and nine (9) employees participating in the Louisiana School Employees' Retirement system (LSERS). These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows.

A. Teachers' Retirement System of Louisiana (TRSL)

TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, five years of service credit if the employee reaches age sixty, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 11 - RETIREMENT SYSTEMS, CONTINUED:

A. Teachers' Retirement System of Louisiana (TRSL), Continued

TRSL issues publicly-available financial reports that include financial statements and required supplementary information of TRSL. These financial reports may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123. Baton Rouge. LA 70804-9123.

Participants are required to contribute to the plan 8% of their annual covered payroll and **the Foundation** is required to contribute 26.6% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by law and set by the Public Retirement Systems Actuarial Committee.

For the year ended June 30, 2018, **the Foundation's** contributions to this plan totaled \$3,371,482.

B. Louisiana State Employees' Retirement System (LASERS)

The LASERS system provides retirement benefits as well as disability and survivor benefits. Five years of service credit is required to become vested for retirement benefits, ten years to become vested for disability and twenty years actively employed for survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana or by calling (225) 922-0185.

Plan members are required to contribute 8% of their annual covered salary and **the Foundation** is required to contribute 37.9% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by state law and set by the Public Retirement Systems' Actuarial Committee.

For the year ended June 30, 2018. **The Foundation's** contributions to this plan totaled \$49,612.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 11 - RETIREMENT SYSTEMS, CONTINUED:

C. Louisiana School Employees' Retirement System (LSERS)

The LSERS system membership is comprised on non-instructional personnel of the Louisiana public school system. This includes janitors, bus drivers, custodians and maintenance employees. LSERS provides retirement benefits as well as disability and survivor benefits. Five years of service credit is required to become vested for retirement benefits and ten years to become vested for disability benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana or by calling (225) 925-6484.

Plan members are required to contribute 8% of their annual covered salary and **the Foundation** is required to contribute 28% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by state law and set by the Public Retirement Systems' Actuarial Committee.

For the year ended June 30, 2018. **The Foundation's** contributions to this plan totaled \$68,110.

NOTE 12 - DEFINED CONTRIBUTION PLAN:

**The Foundation** offers a voluntary 403(b) defined contribution plan to all eligible employees. Full-time employees are eligible to participate in the elective deferral plan on the first day after 30 days of employment. The plan is funded solely by employee contributions.

NOTE 13 - CONCENTRATION OF CREDIT RISK:

**The Foundation** maintains non-interest bearing accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2018 were \$3,824,499.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 14 - RISK MANAGEMENT:

**The Foundation** is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the Foundation** carries commercial liability insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 15 - CONCENTRATION OF REVENUE SOURCE:

**The Foundation's** primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **The Foundation** receives a State allocation and a local allocation per eligible student in attendance at the official student count dates of October 1<sup>st</sup> and February 1<sup>st</sup> each year.

MFP revenue accounts for 80% of **the Foundation's** total support for the year ended June 30, 2018. State and federal grants are on a cost reimbursement basis and account for 18% of **the Foundation's** total support for the year ended June 30, 2018. If the amount of revenue received should fall below budgeted award levels, **the Foundation's** operating results could be adversely affected.

NOTE 16 - CONTINGENCY:

**The Foundation** is a recipient of grants from the state, local and federal funding agencies. The grants are governed by various state, local and federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants are under the control and administration of **the Foundation** and are subject to audit and/or review by grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the state, local and federal agencies may be subject to recapture.

NOTE 17 - BOARD OF DIRECTORS' COMPENSATION:

The board of directors of **the Foundation** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2018.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 18 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:**

In February 2016, the FASB issued ASU 2016-02, *Conforming Amendments Related to Leases (Topic 842)*. This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of financial position and disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU is effective for annual periods beginning after December 15, 2019 with early adoption permitted. **The Foundation** is evaluating the impact that implementation of this Update will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which significantly changes the presentation requirements for financial statements of not-for-profit entities. The amendments are intended to improve the guidance on net asset classification as well as the information presented in the financial statements and notes regarding liquidity, financial performance and cash flows for not-for-profit entities. Specifically, the ASU: 1) reduces complexity and improves understandability of net asset classifications, 2) improves transparency and utility of information regarding an entity's liquidity, 3) improves consistency in the type of information provided about expenses, and 4) improves consistency in the reporting of operating cash flows in the statement of cash flows. The ASU is effective for annual periods beginning after December 15, 2017. Early application of the amendments in this Update is permitted and should be applied on a retrospective basis in the year that the Update is first applied. **The Foundation** is evaluating the impact that implementation of this Update will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this Update are effective for nonpublic entities for annual periods beginning after December 15, 2018, with early adoption permitted. **The Foundation** does not expect the new guidance to have a material impact on the financial statements.

**SUPPLEMENTARY INFORMATION**

SCHEDULE I

NEW BEGINNINGS SCHOOLS FOUNDATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Program Name	Federal CFDA Number	Activity
<b><u>U.S. Department of Agriculture</u></b>		
<i>Awards from a Pass-Through Entity</i>		
<u>Passed-Through: LA State Department of Education</u>		
National School Lunch Program	10.555	\$ 1,392,392
Total U.S. Department of Agriculture		<u>1,392,392</u>
<b><u>U.S. Department of Education</u></b>		
<i>Awards from a Pass-Through Entity</i>		
<u>Passed-Through: LA State Department of Education</u>		
Title I, Part A - Grants to Local Educational Agencies	84.010	1,322,780
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367	140,061
Special Education Cluster:		
Individuals with Disabilities Education Act (IDEA) Part B	84.027	352,588
Individuals with Disabilities Education Act (IDEA) Part B, Preschool	84.173	1,739
High Cost Services	84.027A	310,907
Title IV, Student Support and Academic Enrichment Program	84.424	20,245
Title I, School Improvement Grant 1003(a)	84.010A	120,609
Title I, School Improvement Grant 1003(g)	84.377A	52,098
		<u>2,321,027</u>
<i>Awards from a Pass-Through Entity</i>		
<u>Passed-Through: New Orleans Business Alliance</u>		
Carl Perkins	84.048	34,050
		<u>34,050</u>
Total U.S. Department of Education		<u>2,355,077</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
<i>Awards from a Pass-Through Entity</i>		
<u>Passed-Through: LA State Department of Education</u>		
Temporary Aid For Needy Families	93.558B	272,296
Total U.S. Department of Health and Human Services		<u>272,296</u>
Total Expenditures of Federal Awards		<u>\$ 4,019,765</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the **Foundation** under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of the **Foundation**, it is not intended to and does not present the financial position, changes in net assets, or cash flows.

NOTE 2: The **Foundation** has elected to use the 10% de minimus indirect cost rate.

See Independent Auditors' Report on Supplementary Information.

## SCHEDULE II

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Gentilly Terrace Charter School	Charter School Network Office	Eliminations	Total (memorandum only)
<b>ASSETS</b>							
Cash	\$ 2,276,712	\$ 1,282,640	\$ 262,846	\$ -	\$ 56,819	\$ -	\$ 3,879,017
Cash-restricted	6,674	29,587	26,239	-	-	-	62,500
Grants receivable	375,842	337,153	461,956	-	8,129	-	1,183,080
Due from other funds	1,772,086	8,082	13,714	-	844	(1,794,726)	-
Prepaid expenses and other assets	2,394	2,883	50,005	-	-	-	55,282
Property and equipment, net	360	7,272	12,356	-	-	-	19,988
<b>Total assets</b>	<b>\$ 4,434,068</b>	<b>\$ 1,667,617</b>	<b>\$ 827,116</b>	<b>\$ -</b>	<b>\$ 65,792</b>	<b>\$ (1,794,726)</b>	<b>\$ 5,199,867</b>
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities:							
Accounts payable	\$ 254,424	\$ 146,970	\$ 419,591	\$ -	\$ 40,429	\$ -	\$ 861,414
Accrued liabilities	631,628	316,513	565,185	-	66,108	-	1,579,434
Student activity funds	6,674	29,587	26,239	-	-	-	62,500
Due to other funds	1,772,086	8,082	13,714	-	844	(1,794,726)	-
Compensated absences	15,853	5,719	38,761	-	68,569	-	128,902
<b>Total liabilities</b>	<b>2,680,665</b>	<b>506,871</b>	<b>1,063,490</b>	<b>-</b>	<b>175,950</b>	<b>(1,794,726)</b>	<b>2,632,250</b>
Net Assets:							
Unrestricted	1,753,403	1,160,746	(236,374)	-	(110,158)	-	2,567,617
<b>Total net assets</b>	<b>1,753,403</b>	<b>1,160,746</b>	<b>(236,374)</b>	<b>-</b>	<b>(110,158)</b>	<b>-</b>	<b>2,567,617</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,434,068</b>	<b>\$ 1,667,617</b>	<b>\$ 827,116</b>	<b>\$ -</b>	<b>\$ 65,792</b>	<b>\$ (1,794,726)</b>	<b>\$ 5,199,867</b>

See Independent Auditors' Report on Supplementary Information.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Gentilly Terrace Charter School	Charter School Network Office	Eliminations	Total (memorandum only)
<b>REVENUES</b>							
Local sources:							
Minimum Foundation Program	\$ 4,384,681	\$ 1,864,603	\$ 3,576,122	\$ -	\$ -	\$ -	\$ 9,825,406
Contributions-unrestricted	-	-	8,327	-	336	-	8,663
Grants	76,085	-	59,367	-	-	-	135,452
Indirect cost revenue	-	-	-	-	79,943	(79,943)	-
Other	6,849	1,726	843	-	15,476	-	24,894
Total local sources	<u>4,467,615</u>	<u>1,866,329</u>	<u>3,644,659</u>	<u>-</u>	<u>95,755</u>	<u>(79,943)</u>	<u>9,994,415</u>
State sources:							
Minimum Foundation Program	3,047,557	1,448,006	3,195,849	-	-	-	7,691,412
Grants	5,099	8,443	22,680	-	-	-	36,222
Total state sources	<u>3,052,656</u>	<u>1,456,449</u>	<u>3,218,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,727,634</u>
Federal grants	<u>1,601,793</u>	<u>1,078,062</u>	<u>1,339,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,019,765</u>
Total revenues	<u>9,122,064</u>	<u>4,400,840</u>	<u>8,203,098</u>	<u>-</u>	<u>95,755</u>	<u>(79,943)</u>	<u>21,741,814</u>

See Independent Auditors' Report on Supplementary Information.

## SCHEDULE III

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Gentilly Terrace Charter School	Charter School Network Office	Eliminations	Total (memorandum only)
<b>EXPENSES</b>							
Program Services:							
Instructional programs	\$ 4,793,414	\$ 2,470,201	\$ 4,934,679	\$ -	\$ 22,192	\$ -	\$ 12,220,486
Support Services:							
Pupil support services	920,639	593,029	1,112,611	-	208,037	-	2,834,316
Instructional staff services	941,383	489,202	197,084	-	-	-	1,627,669
General and administrative services	-	-	-	-	257,803	-	257,803
School administration	462,319	271,552	714,800	-	944,942	-	2,393,613
Business services	-	-	-	-	558,278	-	558,278
Operations and maintenance	940,758	598,675	1,366,078	158,563	217,130	-	3,281,204
Student transportation services	519,461	491,824	834,860	-	-	-	1,846,145
Central services	48,399	63,291	74,842	-	296,047	(79,943)	402,636
Food services operations	475,751	281,897	458,474	-	-	-	1,216,122
Depreciation	119	738	920	-	-	-	1,777
Subtotal expenses	<u>9,102,243</u>	<u>5,260,409</u>	<u>9,694,348</u>	<u>158,563</u>	<u>2,504,429</u>	<u>(79,943)</u>	<u>26,640,049</u>
Operating transfers (in) out	<u>(1,060,859)</u>	<u>570,080</u>	<u>1,098,140</u>	<u>1,568,041</u>	<u>(2,175,402)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>8,041,384</u>	<u>5,830,489</u>	<u>10,792,488</u>	<u>1,726,604</u>	<u>329,027</u>	<u>(79,943)</u>	<u>26,640,049</u>
Change in net assets	1,080,680	(1,429,649)	(2,589,390)	(1,726,604)	(233,272)	-	(4,898,235)
Net assets, beginning of year	<u>672,723</u>	<u>2,590,395</u>	<u>2,353,016</u>	<u>1,726,604</u>	<u>123,114</u>	<u>-</u>	<u>7,465,852</u>
Net assets, end of year	<u>\$ 1,753,403</u>	<u>\$ 1,160,746</u>	<u>\$ (236,374)</u>	<u>\$ -</u>	<u>\$ (110,158)</u>	<u>\$ -</u>	<u>\$ 2,567,617</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IV

NEW BEGINNINGS SCHOOLS FOUNDATION  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Gentilly Terrace Charter School	Charter School Network Office	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Change in net assets	\$ 1,080,680	\$ (1,429,649)	\$ (2,589,390)	\$ (1,726,604)	\$ (233,272)	\$ (4,898,235)
Adjustments to reconcile change in net assets to net cash used in operating activities:						
Depreciation	119	738	920	-	-	1,777
Loss on disposal of assets	-	-	-	158,563	-	158,563
Changes in Assets and Liabilities:						
(Increase) decrease in grants receivable	(333,338)	(294,420)	(254,682)	186,310	(8,129)	(704,259)
(Increase) decrease in prepaid expenses and other assets	(1,703)	(2,034)	-	641	-	(3,096)
Increase (decrease) in accounts payable	142,272	40,703	225,086	(65,738)	(10,460)	331,863
Increase (decrease) in accrued liabilities	413,908	53,786	130,837	(300,584)	(18,671)	279,276
Increase (decrease) in student activity funds	(2,473)	21,911	44	(1,330)	-	18,152
Increase (decrease) in compensated absences	11,526	4,220	35,875	-	(12,695)	38,926
Net cash used in operating activities	<u>1,310,991</u>	<u>(1,604,745)</u>	<u>(2,451,310)</u>	<u>(1,748,742)</u>	<u>(283,227)</u>	<u>(4,777,033)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Capital lease principal payments	<u>(169)</u>	<u>(5,748)</u>	<u>(8,029)</u>	<u>(3,064)</u>	<u>-</u>	<u>(17,010)</u>
Net cash used in financing activities	<u>(169)</u>	<u>(5,748)</u>	<u>(8,029)</u>	<u>(3,064)</u>	<u>-</u>	<u>(17,010)</u>
Increase (decrease) in cash and restricted cash	1,310,822	(1,610,493)	(2,459,339)	(1,751,806)	(283,227)	(4,794,043)
Cash and restricted cash, beginning of year	<u>972,564</u>	<u>2,922,720</u>	<u>2,748,424</u>	<u>1,751,806</u>	<u>340,046</u>	<u>8,735,560</u>
Cash and restricted cash, end of year	<u>\$ 2,283,386</u>	<u>\$ 1,312,227</u>	<u>\$ 289,085</u>	<u>\$ -</u>	<u>\$ 56,819</u>	<u>\$ 3,941,517</u>

See Independent Auditors' Report on Supplementary Information.

**SCHEDULE V**

**NEW BEGINNINGS SCHOOLS FOUNDATION  
SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2018**

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Chief Executive Officer Name: Michelle Blouin-Williams

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 175,000
Benefits - insurance	1,107
Benefits - retirement	44,625
Benefits - voluntary life insurance	60
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
	<u>\$ 220,792</u>

See the Independent Auditors' Report on Supplementary Information.



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

To the Board of Directors of  
**New Beginnings Schools Foundation**

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 the **New Beginnings Schools Foundation (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2019.

**Internal Control Over Financial Reporting**

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**Internal Control Over Financial Reporting, Continued**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2018-002** and **2018-003** to be material weaknesses.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item **2018-001** to be a significant deficiency.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **the Foundation's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Foundation's Response to the Findings**

**The Foundation's** response to the findings identified in our audit is described in a separate Corrective Action Plan. **The Foundation's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**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 Foundation's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Foundation's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

January 8, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
**New Beginnings Schools Foundation**

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

We have audited the **New Beginnings Schools Foundation's (the Foundation)** 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 Foundation's** major federal programs for the year ended June 30, 2018. **The Foundation's** major federal programs are identified in the summary of auditors' 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 its federal programs.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)

**Report on Internal Control Over Compliance**

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)

**Report on Internal Control Over Compliance, Continued**

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.

**Purpose of this Report**

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

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

January 8, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION I – SUMMARY AUDITORS’ RESULTS**

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **Yes.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **Yes.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **No.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None Reported.**
- G. Type of report issued on compliance for major programs: **Unmodified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with the Uniform Guidance, 2 CFR Section 200.516(a)? **No.**
- I. Was a management letter issued? **Yes.**

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED**

J. Identification of Major Programs:

**United States Department of Education**

84.367 - Title II, Part A - Teacher and Principal Training and Recruiting Fund  
Special Education Cluster:

84.027 - Individuals with Disabilities Education Act (IDEA) Part B

84.173 - Individuals with Disabilities Education Act (IDEA) Part B, Preschool

84.027A - Individuals with Disabilities Education Act (IDEA) Part B, High Cost  
Services

K. Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**

L. Auditee qualified as a "low-risk" auditee: **Yes**.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**2018-001      Submission of Audit Report**

**Criteria**

Louisiana Revised Statute 24:513 A.(5)(a)(i) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request of time for submission.

**Condition**

**The Foundation's** 2018 year end financial close and reporting process was not completed until January 2019—more than six (6) months after the June 30, 2018 year end. As a result of the delays in the financial close, the June 30, 2018 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of January 2, 2019.

**Cause**

This condition is the result of: 1) sudden turnover of key financial employees at or near the start of the financial close and reporting process, including the Chief Financial Officer; 2) the lack of a transitional period for the Interim Chief Financial Officer and other recently hired key personnel to familiarize themselves with **the Foundation's** financial operations, and 3) no written financial close and reporting policy to be followed for the accounting staff.

**Effect**

Failure to timely submit the required audit report to the Legislative Auditor after the six (6) month time frame for any reason other than natural disaster is a violation of the State audit completion and submission law, and therefore subject to penalty.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION II - FINDINGS RELATING TO THE FINANCIAL  
STATEMENTS REPORTED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS,  
CONTINUED**

**2018-001      Submission of Audit Report, Continued**

**Recommendation**

We recommend that management establish a well-defined financial close and reporting process to include the overall timing, format and frequency of analyses, to ensure timely completion of the financial statements and submission of the audit report by the statutory due date.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

**2018-002      Financial Close and Reporting Process**

**Criteria**

Management of the **Foundation** is responsible for designing, implementing and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.

**Condition**

Material misstatements were detected during the course of the audit requiring audit adjustments to fairly state the financial statements. The following material misstatements were detected:

- Cash was understated by \$196,412
- Accounts receivable were overstated by \$149,471
- Prepaid expenses were overstated by \$131,924
- Fixed assets were overstated by \$158,563
- Summer spread liabilities and corresponding salaries expense were understated by \$399,013
- TRSL liabilities and retirement expense were understated by \$334,996
- Other operating expenses were understated by \$281,409

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

**2018-002      Financial Close and Reporting Process, Continued**

**Cause**

This condition is the result of: 1) sudden turnover of key financial employees at or near the start of the financial close and reporting process, including the Chief Financial Officer; 2) the lack of a transitional period for the Interim Chief Financial Officer and other recently hired key personnel to familiarize themselves with **the Foundation's** financial operations, and 3) no written financial close and reporting policy to be followed for the accounting staff.

**Effect**

Financial information was not timely and accurately captured for the preparation of the June 30, 2018 financial statements nor was it timely communicated to the board for their use. In addition, interim financial statements may have been materially misstated.

**Recommendation**

We recommend that management establish a well-defined financial close and reporting process to include the overall timing, format and frequency of analyses, to ensure that interim and year end financial statements are fairly stated.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

**2018-003      Reconciliation of Payroll Records**

**Criteria**

Management of **the Foundation** is responsible for designing, implementing and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.

**Condition**

In performing a reconciliation of payroll records to salaries expense, we noted an unreconciled difference between the payroll records and salaries per the general ledger of approximately \$327,000. The difference was due to retirement contributions and health insurance postings that were misclassified as salaries expense. In addition, we noted that management was unable to fully reconcile salaries expense to the quarterly 941 forms.

**Cause**

Lack of monitoring over payroll process.

**Effect**

Misclassification of salaries expense was not detected. In addition, employee salaries and payroll taxes may be improperly reported on payroll tax returns.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

**2018-003      Reconciliation of Payroll Records, Continued**

**Recommendation**

We recommend that management design and implement policies and procedures for reconciliation and review of payroll registers to the general ledger at the end of each payroll period. In addition, we recommend that management perform a quarterly reconciliation of salaries expense to the Form 941.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION III - FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**

No matters reported.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

No matters reported.

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

**2017-001 Schoolwide Plans Lacking Required Components**

**Federal Award Program**

Title I, Part A - Grants to Local Educational Agencies - CFDA No. 84.010

**Criteria**

34 CFR 200.28 requires entities operating a schoolwide program to include five (5) components in their schoolwide plan, including: 1) strategies to increase parental involvement and 2) transition plans for assisting preschool children in the successful transition to the schoolwide program.

**Condition**

During our review of schoolwide plans for each of the schools operated by **the Foundation** we noted that the following schoolwide plans were missing required components:

- Lake Area and Nelson: strategies to increase parental involvement
- Capdau, Gentilly Terrace and Nelson: transition plans for assisting preschool children in the successful transition to the schoolwide program

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,**  
**CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**

**2017-001 Schoolwide Plans Lacking Required Components, Continued**

**Questioned Costs**

None.

**Context**

Total federal awards expended for the year ended June 30, 2017 were \$3,557,820.

**Cause**

Lack of familiarity of the previous administration with the required components of the schoolwide program under 34 CFR 200.28.

**Effect or Potential Effect**

The Foundation was not in compliance with the requirements of 34 CFR section 200.28.

**Recommendation**

We recommend that management review the requirements of 34 CFR 200.28 and incorporate the required components in the schoolwide plan.

**Current Status**

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,**  
**CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION III - MANAGEMENT LETTER**

No matters reported.

**NEW BEGINNINGS SCHOOLS FOUNDATION  
EXIT CONFERENCE**

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The audit report was discussed during the course of the audit and at an exit conference held with the management of **the Foundation** and members of the Board of Directors. The individuals who participated in those discussions were as follows:

**NEW BEGINNINGS SCHOOLS FOUNDATION**

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Mrs. Michelle Blouin-Williams	--	Chief Executive Officer
Ms. Terri Vincent	--	Interim Chief Financial Officer
Ms. Kim Ramsey	--	Finance Committee Chair
Ms. Val Marshall	--	Board Member

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

---

Ms. Sherina R. Clavier, CPA	--	Engagement Manager
-----------------------------	----	--------------------



January 8, 2019

Bruno & Tervalon LLP  
Certified Public Accountants  
4298 Elysian Fields Avenue  
New Orleans, LA 70122

Dear Sir or Madam:

This letter conveys New Beginnings Schools Foundation's (the Foundation) Corrective Action Plan as it pertains to final audit findings for the year ending June 30, 2018.

Additionally, the attached documents serve to:

- present the audit findings
- provide context or background relative to each finding
- summarize each recommendation made by independent auditors and
- detail corrective actions currently being implemented, as well as targeted completion dates.

The persons responsible for the timely implementation of all identified corrective actions are the CEO, Michelle Blouin-Williams, the Interim CFO, Terri Vincent and contracted third-party finance partners.

Respectfully,

  
Michelle Blouin-Williams, CEO



## 2018 Independent Auditor Findings and Corresponding Information

### 2018-001            Submission of Audit Report

#### Criteria

Louisiana Revised Statute 24:513 A.(5)(a)(i) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request of time for submission.

#### Condition

**The Foundation's** 2018 year-end financial close and reporting process was not completed until January 2019—more than six (6) months after the June 30, 2018 year-end. As a result of the delays in the financial close, the June 30, 2018 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of January 2, 2019.

#### Cause

This condition is the result of: 1) sudden turnover of key financial employees at or near the start of the financial close and reporting process, including the Chief Financial Officer; 2) the lack of a transitional period for the Interim Chief Financial Officer and other recently hired key personnel to familiarize themselves with **the Foundation's** financial operations, and 3) no written financial close and reporting policy to be followed for the accounting staff.

#### Effect

Failure to timely submit the required audit report to the Legislative Auditor after the six (6) month time frame for any reason other than natural disaster is a violation of the State audit completion and submission law, and therefore subject to penalty.

#### Recommendation

We recommend that management establish a well-defined financial close and reporting process to include the overall timing, format and frequency of analyses, to ensure timely completion of the financial statements and submission of the audit report by the statutory due date.



### **Management's Response and Corrective Action Plan**

We agree with the auditors' comments and we have already implemented a number of initiatives to avoid any late submissions in the future.

The delay in closing financial records for the prior year occurred mainly due to an unexpected exit of top financial leadership without time for the transfer of institutional and historical knowledge. In immediate response we engaged the services of external financial consultants, appointed an Interim Chief Financial Officer and hired an additional staff accountant. This new team promptly created a Standard Operating Procedure (SOP) for:

- 1) the monthly financial close and
- 2) the annual financial close.

These SOPs will support the timely completion of financial closes and financial reporting going forward.

Additionally, executive management and board governance will continually monitor operations, policies and procedures to ensure their effectiveness and efficiency. Specifically, the Finance Committee will review the progress on strengthening financial processes on a monthly basis.



2018-002

**Financial Close and Reporting Process**

**Criteria**

Management of **the Foundation** is responsible for designing, implementing and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.

**Condition**

Material misstatements were detected during the course of the audit requiring audit adjustments to fairly state the financial statements. The following material misstatements were detected:

- Cash was understated by \$196,412
- Accounts receivable were overstated by \$149,471
- Prepaid expenses were overstated by \$131,924
- Fixed assets were overstated by \$158,563
- Summer spread liabilities and corresponding salaries expense were understated by \$399,013
- TRSL liabilities and retirement expense were understated by \$334,996
- Other operating expenses were understated by \$281,409

**Cause**

This condition is the result of: 1) sudden turnover of key financial employees at or near the start of the financial close and reporting process, including the Chief Financial Officer; 2) the lack of a transitional period for the Interim Chief Financial Officer and other recently hired key personnel to familiarize themselves with **the Foundation's** financial operations, and 3) no written financial close and reporting policy to be followed for the accounting staff.

**Effect**

Financial information was not timely and accurately captured for the preparation of the June 30, 2018 financial statements nor was it timely communicated to the board for their use. In addition, interim financial statements may have been materially misstated.



## **Recommendation**

We recommend that management establish a well-defined financial close and reporting process to include the overall timing, format and frequency of analyses, to ensure that interim and year-end financial statements are fairly stated.

## **Management's Response and Corrective Action Plan**

Management has documented and implemented a financial close calendar which is already being utilized to provide regular analysis and correction of all general ledger accounts on a monthly basis with time allotted for review and discussion with executive management, board Finance Committee and full board on a regular basis.

The process includes built-in error checking steps that utilize the expertise of our third party financial consultant and regular review with management and board members. Additionally, executive management and board governance will continually monitor operations, policies and procedures to ensure their effectiveness and efficiency. Specifically, the Finance Committee will review the progress on strengthening financial processes on a monthly basis.



2018-003

## Reconciliation of Payroll Records

### Criteria

Management of **the Foundation** is responsible for designing, implementing and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.

### Condition

In performing a reconciliation of payroll records to salaries expense, we noted an unreconciled difference between the payroll records and salaries per the general ledger of approximately \$327,000. The difference was due to retirement contributions and health insurance postings that were misclassified as salaries expense. In addition, we noted that management was unable to fully reconcile salaries expense to the quarterly 941 forms.

### Cause

Lack of monitoring over payroll process.

### Effect

Misclassification of salaries expense was not detected. In addition, employee salaries and payroll taxes may be improperly reported on payroll tax returns.

### Recommendation

We recommend that management design and implement policies and procedures for reconciliation and review of payroll registers to the general ledger at the end of each payroll period. In addition, we recommend that management perform a quarterly reconciliation of salaries expense to the Form 941.

### Management's Response and Corrective Action Plan

Procedures have been implemented to review and reconcile payroll system input documents on a monthly basis. In addition, we have implemented a procedure to perform a quarterly reconciliation of salaries to the Form 941.



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Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

## INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors and Management of  
**New Beginnings Schools Foundation**  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of **New Beginnings Schools Foundation (the Foundation)** as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered **the Foundation's** internal control over financial reporting (internal control) as a basis for designing auditing 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 Foundation's** internal control. Accordingly, we do not express an opinion on the effectiveness of **the Foundation's** internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated January 8, 2019 contains our communication of significant deficiencies and material weaknesses in **the Foundation's** internal control. This letter does not affect our report dated January 8, 2019, on the financial statements of **the Foundation**.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel of **the Foundation**, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**CURRENT YEAR COMMENTS**

**OM 2018-001 - Fixed Asset Administration**

**Criteria**

Management of **the Foundation** is responsible for maintenance of internal controls to ensure efficient management of fixed assets and adherence to capitalization policies.

**Condition**

We noted there are a number of fixed assets being depreciated that have a cost basis below **the Foundation's** capitalization threshold of \$5,000. In addition, **the Foundation** has curriculum software and curriculum e-books on its fixed asset subledger that were placed into service in 2009 and are potentially obsolete.

**Cause**

Lack of monitoring of fixed asset subledger and periodic review against internal policies.

**Effect**

Internal policies with regard to capitalization of fixed assets have not been adhered to. In addition, there is an unnecessary recordkeeping burden in maintaining immaterial or obsolete assets on the subledger.

**Recommendation**

Although the net book value of these assets is near zero, we recommend that **the Foundation** write off any assets under the capitalization threshold and review its curriculum software and e-books for potential write off to reduce the recordkeeping burden.

**Management's Response**

Management will perform a detailed review of depreciable fixed assets and related policies. Obsolete assets will be properly written off and procedures will be implemented to provide ongoing monitoring of financial records for adherence to established policies.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**CURRENT YEAR COMMENTS,**  
**CONTINUED**

**OM 2018-002 - Profile of Educational Personnel (PEP) Reporting**

**Criteria**

Management of **the Foundation** is responsible for the accuracy and completeness of school personnel data submitted to the Louisiana State Board of Elementary and Secondary Education (BESE) on the Profile of Educational Personnel (PEP).

**Condition**

During our testing of the personnel and class size data submitted to the state, we noted differences between information reported on the PEP report (i.e., salaries, years of experience, education level, classroom size) and the underlying records maintained by **the Foundation**.

**Cause**

Lack of monitoring and review processes over the data submitted for PEP reporting.

**Effect**

Data collected on the PEP report for state and federal reporting purposes is incomplete and/or inaccurate.

**Recommendation**

We recommend that management design and implement internal controls to ensure that data submitted to the state is complete and accurate, including secondary management reviews of the data prior to submission. In addition, we recommend that **the Foundation** maintain support for the data submitted to the state to ensure an appropriate audit trail.

**Management's Response**

Procedures have been implemented to provide improved collaboration between data management, human resources and finance division personnel to provide improved efficiency and accuracy in the area of data management and reporting to external agencies. Executive management will document clear expectations for internal reporting in advance of external reporting to further insure accuracy.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**CURRENT YEAR COMMENTS,**  
**CONTINUED**

**OM 2018-003 - Operating Deficits**

**Criteria**

Management is responsible for monitoring of **the Foundation's** resources to minimize the potential for operating losses.

**Condition**

For the years ending June 30, 2017 and 2018, **the Foundation** incurred operating deficits of \$899,754 and \$4,898,235, respectively. Additionally, **the Foundation** has budgeted a deficit of \$886,173 for fiscal year 2019.

**Cause**

Due to fiscal year 2018 being a charter renewal year for two of **the Foundation's** schools, management knowingly budgeted a deficit to spend down their accumulated net assets on targeted expenditures dedicated to instructional improvement efforts at these two schools; however, ineffective monitoring of budget versus actual resulted in deficit spending significantly exceeding that which was budgeted.

**Effect**

Potential negative impact on cash flow needs for operating expenses.

**Recommendation**

We recommend that management implement stronger monitoring of budget versus actual results. In addition, we recommend management explore other sources of funding and/or implement cost-containment measures to reduce operating expenses.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**CURRENT YEAR COMMENTS,**  
**CONTINUED**

**OM 2018-003 - Operating Deficits, Continued**

**Management's Response**

Management agrees with the importance of sustainable budgeting and careful monitoring of expenses to ensure a strong long-term fiscal position.

The decision to expend operating reserves for the year ending June 30, 2018 was made actively and intentionally by the board at management's recommendation. The vast majority of deficit spending supported critical academic, programmatic and security initiatives that were in the best interest of students and families. The board and management made a similar proactive decision about the budget for the year ending June 30, 2019 and have been monitoring actual expenditures closely and on a regular basis.

Going forward, the board and management will continue to closely monitor budget vs. actuals on a monthly (or more frequent) basis. The board and management also acknowledge the importance of designing annual operating budgets that are breakeven or modestly positive from a Net Income and cash perspective. The organization will design future budgets with that as a central goal.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS

There were no prior year comments.

\*\*\*\*\*

This communication is intended solely for the information and use of management, the Board of Directors, and others within **the Foundation**, and is not intended to be, and should not be, used by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

January 8, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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

---

To the Board of Directors of  
**New Beginnings School Foundation,**  
the Louisiana Department of Education,  
and the Louisiana Legislative Auditor

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by management of **New Beginnings Schools Foundation (the Foundation)**, 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 Foundation** 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 in compliance with Louisiana Revised Statute 24:514 I. Management of **the Foundation** is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 3 through 5 either for the purpose for which this report has been requested or for any other purpose.

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.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES

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(CONTINUED)

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of **the Foundation**, as required by Louisiana Revised Statute 24:514 I, and the 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 Louisiana Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

January 8, 2019

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS**

Our 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, and
  - Nonpublic Transportation Revenue.

*We noted supporting documentation for two (2) transactions could not be located, so we selected two (2) alternate transactions to test. We noted no exceptions for the transactions reviewed.*

**Management's Response**

Management will improve standard operating procedures to ensure accuracy in this area going forward.

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Class Size Characteristics (SCHEDULE 2, formerly SCHEDULE 6)**

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, 2017 roll books for those classes and observed that the class was properly classified on the schedule.

*We noted four (4) classes were misclassified on the schedule. The accompanying schedule has been revised to correct the misclassification.*

**Management's Response**

Management will develop internal controls to ensure accuracy of class data and that all class size and type data is reported in a manner that is standard and easily transferrable upon personnel transition.

**Education Levels/Experience of Public School Staff (No Schedule)**

3. We obtained the October 1<sup>st</sup> PEP data submitted to the Department of Education, 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 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.

*We noted six (6) teachers whose education level on October 1<sup>st</sup> PEP data was different from the information in the personnel file.*

*We noted 22 teachers whose years experience on the October 1<sup>st</sup> PEP data was different from the information in the personnel file and one (1) teacher was not included on the October 1<sup>st</sup> PEP data at all.*

INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Education Levels/Experience of Public School Staff (No Schedule), Continued*

Management's Response

Improved coordination and collaboration between the divisions of human resources and data reporting regarding PEP reporting will ensure accuracy and efficiency in this area.

*Public School Staff Data: Average Salaries (No Schedule)*

4. We obtained the June 30<sup>th</sup> PEP data submitted to the Department of Education of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data 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.

*We noted 24 of 25 teachers whose salary and extra compensation on the June 30<sup>th</sup> PEP data was different from the information in the personnel file.*

Management's Response

Current internal controls include internal audits of personnel files and verification of PEP data on a monthly/quarterly basis.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -**  
**PERFORMANCE AND STATISTICAL DATA)**  
**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 (formerly SCHEDULE 6)**

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.

**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	\$	6,111,991	
Other Instructional Staff Activities		1,744,827	
Instructional Staff Employee Benefits		1,134,011	
Purchased Professional and Technical Services		45,682	
Instructional Materials and Supplies		1,228,739	
Instructional Equipment		69,205	
Total Teacher and Student Interaction Activities			\$ 10,334,455

Other Instructional Activities 1,886,032

Pupil Support Activities 2,834,316  
 Less: Equipment for Pupil Support Activities -  
 Net Pupil Support Activities 2,834,316

Instructional Staff Services 1,627,669  
 Less: Equipment for Instructional Staff Services -  
 Net Instructional Staff Services 1,627,669

School Administration 2,393,613  
 Less: Equipment for School Administration -  
 Net School Administration 2,393,613

Total General Fund Instructional Expenditures \$ 19,076,084

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 16th 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 accompanying independent accountants' report on applying agreed-upon procedures.

**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	48%	140	48%	141	2%	5	2%	6
Elementary Activity Classes	50%	5	30%	3	0%	0	20%	2
Middle/Jr. High	0%	0	0%	0	0%	0	0%	0
Middle/Jr. High Activity Classes	0%	0	0%	0	0%	0	0%	0
High	45%	124	24%	67	26%	70	5%	15
High Activity Classes	34%	14	22%	9	32%	13	12%	5
Combination	0%	0	0%	0	0%	0	0%	0
Combination Activity Classes	0%	0	0%	0	0%	0	0%	0

**Note:** The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See accompanying independent accountants' report on applying agreed-upon procedures.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE PERIOD APRIL 1, 2017 THROUGH JUNE 30, 2018**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

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To the Board of Directors of **New Beginnings Schools Foundation**  
and the Louisiana Legislative Auditor:

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

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*. The sufficiency of these procedures is solely the responsibility of the specified users of the 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.

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

**PROCEDURES AND FINDINGS**

The procedures and findings related to the Statewide Agreed-Upon Procedures are as follows:

**Written Policies and Procedures**

1. We obtained the **Foundation's** written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the **Foundation's** operations):

a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

*No exceptions were noted.*

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.

*No exceptions were noted.*

c) Disbursements, including processing, reviewing, and approving.

*No exceptions were noted.*

d) Receipts, 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 cut-off procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*No exceptions were noted.*

e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)**

- 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.

*No exceptions were noted.*

- g) Credit Cards, 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.

*No exceptions were noted.*

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Debt requirements are not applicable to nonprofits.*

**Board (or Finance Committee, if applicable)**

2. We obtained and inspected the Board/Finance Committee minutes for the fiscal period, as well as the Board's enabling legislation, charter, bylaws or equivalent document in effect during the fiscal period and:

- a) Observed that the Board/Finance Committee met with a quorum at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, bylaws or other equivalent document.

*We noted that the Board met each month during the fiscal period; however, a quorum was not met for four (4) out of 12 months.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Management's Response**

**We concur that there were four (4) out of twelve (12) months that the Board did not have a quorum. The Board recognized the quorum challenge and immediately took corrective actions by adhering to the meeting attendance as required in the Foundation's Board Bylaws.**

- b) For those entities reporting on the governmental accounting model, observed that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observed that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

*We noted that financial activity was not referenced in the minutes for four (4) out of 12 months.*

**Management's Response**

**We concur that there were four (4) out of twelve (12) months that financial activity was not referenced in the minutes. The CFO and CEO will ensure that the administration presents the monthly financials to the Foundation's Board openly and the minutes will accurately support the organization's financial activity.**

- c) For governmental entities, obtained the prior year audit report and observed the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*This procedure is not applicable.*

**Bank Reconciliations**

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the Foundation's main operating account. We selected all five (5) of the Foundation's bank accounts and randomly selected one (1) month from the fiscal period. We obtained and inspected the corresponding bank statement and reconciliation for each account, and observed that:

**INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)**

- a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions were noted.*

- 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);

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

**Cash Collections**

4. We obtained 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.

*No exceptions were noted.*

5. For the Foundation's only deposit site, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one (1) location for the deposit site, obtained and inspected the written policies and procedures relating to employee job duties at the collection location, and observed 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
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**(CONTINUED)**

- 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

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

*No exceptions were noted.*

- 7. We randomly selected two (2) deposit dates for each of the five (5) bank accounts selected for procedure #3 under "Bank Reconciliations" above. We then obtained supporting documentation for each of the deposits and:

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

*The Foundation was unable to locate supporting documentation for one (1) of the receipts tested, therefore we were unable to determine whether one (1) receipt was sequentially prenumbered. No exceptions were noted for the remaining receipts.*

**Management's Response**

**Administration researched the one (1) receipt. The copy of the check and deposit slip are missing. The research shows the receipt is for a VOYA reimbursement for two (2) employees.**

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

*The Foundation was unable to locate supporting documentation for one (1) of the receipts tested, therefore we were unable to trace one (1) receipt to the deposit slip. No exceptions were noted for the remaining receipts.*

**INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)**

**Management's Response**

We concur. Administration researched the one (1) receipt. The copy of the check and deposit slip are missing. The research shows the receipt is for a VOYA reimbursement for two (2) employees. Due to the transition in staffing we cannot locate this item. Administration will reinforce recordkeeping policies and maintenance of supporting documentation.

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

*The Foundation was unable to locate supporting documentation for one (1) of the receipts tested therefore we were unable to trace the deposit slip to the deposit per the bank statement. In addition, one (1) receipt could not be traced to the bank statement.*

**Management's Response**

We concur. Administration research the one (1) receipt. The deposit slip is missing. The Foundation does have a secondary reporting process that documents all deposits (NBSF Deposit Report). Administration will reinforce recordkeeping policies and maintenance of supporting documentation.

- d) Observed that the deposit was made within one (1) business day of receipt at the collection location (within one week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100).

*The Foundation was unable to locate supporting documentation for one (1) of the receipts tested. In addition, three (3) receipts showed no indication of when the funds were received, therefore we were unable to determine whether the funds were deposited within one (1) business day of receipt.*

**Management's Response**

We concur. Each school has a business manager and each business manager is required to submit deposits within one (1) business day.

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

*The Foundation was unable to locate supporting documentation for one (1) of the receipts tested. No exceptions were noted for the remaining receipts.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
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**(CONTINUED)**

**Management's Response**

We concur. Each school has business manager and each manager is required to keep their records, including supporting documentation. Revised controls have been implemented to assure that financial files are more closely and accurately maintained.

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

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.

*No exceptions were noted.*

9. For the four (4) locations identified under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties, and observed 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.

*No exceptions were noted.*

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

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
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**(CONTINUED)**

10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly select five (5) disbursements for each location, obtained supporting documentation for each transaction and:

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

*Three (3) of twenty (20) disbursements tested did not have invoices or receipts attached.*

**Management's Response**

**We concur. While we acknowledge the need for efficient and accurate maintenance of files, administration would also like to note that a recent change in staffing in the division of finance attributes to some of the missing institutional knowledge necessary to locate these documents. Revised controls have been implemented to assure that financial files are more closely and accurately maintained.**

- b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions were noted.*

**Credit Cards**

11. We obtained from management a listing of all active credit cards for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, and we obtained management's representation that the listing is complete.

*No exceptions were noted.*

12. Using the listing prepared by management, we randomly selected five (5) of the six (6) cards that were used during the fiscal period and obtained the monthly statements or combined statement for each card. We randomly selected the monthly statement or combined statement for each card, obtained supporting documentation and:

- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*We noted no written indication that the statement selected was reviewed and approved by someone other than the authorized card holder.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
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(CONTINUED)**

**Management's Response**

**We concur. Revised controls have been implemented to assure that financial files are more closely and accurately maintained.**

- b) Observed that finance charges and/or late fees were not assessed on the selected statements.

*No exceptions were noted.*

13. Using the monthly statements or combined statements selected under #12 above, we randomly selected ten (10) transactions from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by:

- a) An original itemized receipt that identifies precisely what was purchased.

*The Foundation was unable to locate supporting documentation for two (2) of 15 credit card transactions tested. No exceptions were noted with regard to the remaining 13 transactions tested.*

**Management's Response**

**We concur. While we acknowledge the need for efficient and accurate maintenance of files, administration would also like to note that a recent change in staffing in the division of finance attributes to some of the missing institutional knowledge necessary to locate these documents. Revised controls have been implemented to assure that financial files are more closely and accurately maintained.**

- b) Written documentation of the business/public purpose.

*The Foundation was unable to locate supporting documentation for two (2) of fifteen (15) credit card transactions tested. No exceptions were noted with regard to the remaining transactions.*

**Management's Response**

**We concur. While we acknowledge the need for efficient and accurate maintenance of files, administration would also like to note that a recent change in staffing in the division of finance attributes to some of the missing institutional knowledge necessary to locate these documents. Revised controls have been implemented to assure that financial files are more closely and accurately maintained.**

**INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)**

- c) Documentation of the individuals participating in meals (for meal charges only).

*This procedure is not applicable.*

**Travel and Expense Reimbursement**

14. We obtained from management a listing of all travel and travel related reimbursements during the fiscal period and management's representation that the listing is complete. We randomly selected five (5) reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:

- a) If reimbursed using a per diem, we agreed 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)).

*No exceptions were noted.*

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

*No exceptions were noted.*

- c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions were noted.*

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

*No exceptions were noted.*

**Contracts**

15. We obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. We obtained management's representation that the listing is complete. We randomly selected five (5) contracts from the listing, and:

**INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)**

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

*None of the contracts reviewed were subject to Louisiana Public Bid Law, therefore this procedure is not applicable.*

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

*No exceptions were noted.*

- c) If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment.

*None of the contracts reviewed were amended, therefore this procedure is not applicable.*

- d) We randomly selected one (1) payment from the fiscal period for each of the five (5) contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions were noted.*

**Payroll and Personnel**

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five (5) employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

*We noted one (1) of five (5) employees whose salary was \$2.75 less than the calculated amount under her contract.*

**Management's Response**

**We concur. The CFO and Director of Human Resources will ensure the Foundation's Payroll Manager will align the payroll disbursements in accordance with the annual offered salary.**

**INDEPENDENT ACCOUNTANTS' REPORT**  
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**(CONTINUED)**

17. We randomly selected one (1) pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtained attendance records and leave documentation for the pay period, and:

- a) We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*No exceptions were noted.*

- b) We observed that supervisors approved the attendance and leave of the selected employees/officials.

*No exceptions were noted.*

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

*No exceptions were noted.*

18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two (2) employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulative leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*No exceptions were noted.*

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

*No exceptions were noted.*

**Ethics**

20. Using five (5) randomly selected employees, we obtained ethics documentation from management and:

**INDEPENDENT ACCOUNTANTS' REPORT**  
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**(CONTINUED)**

- a) Observed that the documentation demonstrates each employee/official completed one (1) hour of ethics training during the fiscal period.

*No exceptions were noted.*

- b) Observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's policy during the fiscal period.

*No exceptions were noted.*

**Debt Service**

21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.

*This procedure is not applicable to nonprofits.*

22. We obtained a list of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one (1) bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

*This procedure is not applicable to nonprofits.*

**Other**

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that **the Foundation** reported the misappropriations to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

*No misappropriations of public funds or assets were reported during the period.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*No exceptions were noted.*

25. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions were noted.*

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We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance 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 control and compliance 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 Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

January 8, 2019