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**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors for  
South Louisiana Charter Foundation, Inc.  
Baton Rouge, Louisiana:

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

We have audited the accompanying financial statements of the South Louisiana Charter Foundation (The Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation as of June 30, 2017, 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.

### **Prior Period Restatement**

As discussed in Note 11 to the combined financial statements, the Foundation reported a prior period adjustment to correct an accounting error related to amounts reported as outstanding accounts payable checks which resulted in an understatement of the cash balance and net position in the prior fiscal year. Our opinion is not modified with respect to this matter.



### **Dissolution of East Baton Rouge Charter Academy at Mid-City**

As discussed in Note 10, the charter school agreement between the East Baton Rouge Charter Academy at Mid-City and the Louisiana Board of Secondary Education was revoked on December 16, 2016, effective at the end of the 2016/2017 school year. Based on the terms of the agreement, all capital assets reverted back to the State of Louisiana at the close of the fiscal year ended June 30, 2017. Any other remaining assets, including cash, will revert back to the State of Louisiana during the upcoming fiscal year ending June 30, 2018. The financial statements reflect the operations of Mid-City for the entire fiscal year ended June 30, 2017. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, and the schedule of compensation, benefits and other payments to board president presented on pages 14-16, as well as the schedule of expenditures of federal awards presented on pages 21-22, required by Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The performance and statistical data on pages 35-44 are presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, 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 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.

A handwritten signature in cursive script that reads "Postlethwaite &amp; Netterville".

Baton Rouge, Louisiana  
December 29, 2017

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 770,891
Cash - restricted	34,240
Grants receivable:	
Federal programs	706,047
Other receivables	59,478
Due from other schools	14,382
Due from CSUSA affiliate	23,002
Prepaid expenses and other	113,073
Total current assets	<u>1,721,113</u>

**PROPERTY AND EQUIPMENT (NET):**

20,990,975

**NON-CURRENT ASSETS:**

Utility deposit	38,907
Total non-current assets	<u>38,907</u>

Total assets	<u>\$ 22,750,995</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	137,732
Accrued payroll and related expenses	334,071
Accrued other expenses (see note 10)	285,405
Due to CSUSA	777,282
Due to other schools	5,873
Accrued interest payable - short term portion	167,179
Capital lease payable - short term portion	581,992
Deferred revenues	167
Funds held in custody	34,240
Total current liabilities	<u>2,323,941</u>

**LONG TERM LIABILITIES:**

Accrued interest payable	137,529
Capital lease payable	23,326,651
Total long-term liabilities	<u>23,464,180</u>

**NET DEFICIT:**

Unrestricted	(3,037,126)
Total net deficit	<u>(3,037,126)</u>

Total liabilities and net deficit	<u>\$ 22,750,995</u>
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The accompanying notes are an integral part of these financial statements.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<b>Revenue, Grants and Other Support</b>	
Minimum Foundation Program (MFP)	\$ 18,118,742
Federal grants	1,694,167
State grants	5,000
Paid meals	360
Before and aftercare fees	72,730
E-rate revenues	84,360
Disposition of assets- Mid-City (see note 10)	975,658
Other income	154,879
Total unrestricted revenues and support	<u>21,105,896</u>
<b>Expenses:</b>	
Program services:	
Instructional - regular education programs	8,099,420
Pupil support services	849,825
Instructional staff support services	282,951
School administration	1,770,591
Operation and maintenance of plant services	4,036,657
Student transportation	394,931
Food services	873,201
Non-instructional expense	160,218
Management and general:	
Business services	1,691,022
Central services	168,473
Debt service	<u>3,428,337</u>
Total expenses	<u>21,755,626</u>
Change in net assets	(649,730)
<b>NET DEFICIT AT BEGINNING</b>	
OF THE YEAR, as previously reported	(2,505,295)
Correction of an error (see note 11)	<u>117,899</u>
<b>NET DEFICIT AT BEGINNING</b>	
OF THE YEAR, as restated	<u>(2,387,396)</u>
<b>NET DEFICIT AT END OF THE YEAR</b>	<u>\$ (3,037,126)</u>

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (649,730)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,105,088
Dissolution of Baton Rouge Charter Academy at Mid-City	(1,197,122)
Decrease (increase) in:	
Federal program receivables	(303,981)
Other receivables	219,861
Due from CSUSA	1,000,478
Due from CSUSA affiliate	(22,967)
Prepaid expenses and other	(109,081)
Other assets	2,873
Increase (decrease) in:	
Accounts payable	(240,787)
Accrued payroll and related expenses	(400,360)
Accrued other expenses	210,575
Funds held in custody	(13,135)
Net cash provided by operating activities	<u>601,712</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	<u>(288,432)</u>
Net cash used in investing activities	<u>(288,432)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on capital leases	(701,926)
Accrued interest on capital leases	(135,645)
Net cash used in financing activities	<u>(837,571)</u>

Net decrease in cash	(524,291)
Beginning cash balance	1,329,422
Ending cash balance	<u>\$ 805,131</u>

**Supplemental disclosure of cash flow information**

Interest paid	<u>\$ 3,428,387</u>
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**Supplemental schedule of noncash financing activities:**

Capital lease obligation incurred for use of building and equipment	<u>\$ -</u>
Dissolution of Mid-City (see note 10)	
Property and equipment as of year end	\$ 10,792,465
Accumulated depreciation as of year end	(2,665,104)
Property and equipment, net	8,127,361
Capital lease obligation as of year end	(9,324,483)
Net gain on dissolution	<u>\$ (1,197,122)</u>

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2016-2017 school year, the Foundation operated three elementary schools, Baton Rouge Charter Academy at Mid-City (Mid-City) and Iberville Charter Academy (Iberville), under Type 2 charter agreements pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board. The Iberville, and South Baton Rouge charter agreements will terminate on June 30, 2018 and July 16, 2018, respectively, unless extended for a maximum initial term of five years, contingent upon the results of a review conducted after the completion of the third year of operation. The charter school agreement between the East Baton Rouge Charter Academy at Mid-City and The State of Louisiana was revoked on December 16, 2016, effective at the end of the 2016/2017 school year. The charter for Mid-City terminated on June 30, 2017 (see note 10 for dissolution of Mid-City Charter). Collectively, the schools had enrollment of approximately 1,500 students for the 2016-2017 school year.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Functional Expenses**

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the various program and administrative services based on estimates made by management.

**Use of Estimates**

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Funds Held in Custody**

The Foundation considers all student activity funds and unexpended income from these funds to be funds held in custody. All funds held in custody are recorded in the statement of financial position at cost which represents their fair values.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Grants Receivable**

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2017.

**Public Support and Revenue Recognition**

The Foundation receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Foundation receives Minimum Foundation Program (MFP) funding from the Louisiana Department of Education through the Louisiana Board of Elementary and Secondary Education according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are unrestricted as to use. A substantial portion of federal grants are expenditure driven and as such is classified as unrestricted in the Statement of Activities and Changes in Net Assets. The Foundation also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served. Before and after care fees are recognized when earned.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

**Cash**

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2017, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$705,000. Management, however, believes the credit risk associated with these deposits is minimal.

**Advertising**

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$183,528 during the fiscal year ended June 30, 2017.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

The Foundation has adopted the practice of capitalizing all expenditures for depreciable assets for per unit cost which exceeds \$750 or an asset purchase over \$5,000. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 20 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 20 years.

**Tax Exempt Status**

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2017.

The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

**2. GRANTS RECEIVABLE**

Receivables due from other governmental agencies at June 30, 2017, consists of \$128,074, representing amounts due from the Louisiana Department of Education for federal pass through grants under the Title I program, Title II program, and IDEA program. An additional \$75,968 was due from the U.S. Department of Agriculture through the Louisiana Department of Education under the National School Lunch Program. The remaining \$502,005 is due from the Louisiana Department of Education for Minimum Foundation Program revenues earned but not paid.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**3. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2017:

Buildings and leasehold improvements	\$ 23,189,985
Furniture & fixtures	907,970
Equipment and software	<u>1,056,643</u>
Total cost	\$ 25,154,598
Less: Accumulated depreciation	<u>( 4,163,623)</u>
Total Property and equipment	<u>\$ 20,990,975</u>

Depreciation expense for the year ending June 30, 2017 was \$2,105,088. See Note 10 for dissolution of Mid-City as of June 30, 2017.

**4. FUNDS HELD IN CUSTODY**

Collections from student activities are funds under the supervision of the Foundation; however, these funds belong to the schools or their student bodies and are not available for use in operations.

**5. CONCENTRATION OF SUPPORT**

The Foundation received 86.43% of its support from MFP funding and 8.08% of its support from federal grants passed through the Louisiana Department of Education during the year ending June 30, 2017.

**6. COMMITMENTS**

The Foundation has a formal agreement with Charter Schools USA, Inc. (CSUSA) to manage, staff, and operate the School. The agreement states that CSUSA shall be entitled to a management fee and cost reimbursements for its services. The management fee is 15% of revenues which shall be set forth within the approved annual budget or a lesser percentage if, as otherwise agreed to, by CSUSA. During the fiscal year, CSUSA retroactively reduced the management fee based on the cash flow needs of the schools under the terms of the management agreement which is to offset future management fee charges. The management agreement also allows for CSUSA to make operating advances to the Foundation in the event there are insufficient funds in the operating account to pay operating expenses.

At June 30, 2017, CSUSA owed the Foundation \$1,870 related to miscellaneous credits and rebates. These amounts have been netted against amounts owed by the Foundation to CSUSA of \$776,408 for operating advances and trade payables for other invoiced services provided under the terms of the management agreement. The net amount of \$777,282 is reflected as amounts due to CSUSA in the statement of financial position.

Addendums to the management agreements between the Foundation and CSUSA were signed on May 31, 2016. The addendums allow CSUSA to recoup previously reduced management fees in future years, provided the school budgets can reasonably accommodate recoupment of all or a portion of the

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**6. COMMITMENTS** (Continued)

accumulated difference between the initial budgeted fees and the actual fees paid. South Baton Rouge's management fees were reduced by \$672,336 for the year ended June 30, 2017. Iberville's management fees were reduced by \$552,958 for the year ended June 30, 2017. There was no such agreement entered into by Mid-City.

For the year ended June 30, 2017, the amount of compensation paid to CSUSA totaled \$2,930,710 for operating the school as well as the aftercare program. These amounts are included in the statement of activities and changes in net assets as follows: \$2,614,836 in business services and \$315,874 in school administration.

**7. CAPITAL LEASE**

The Foundation has entered into a 20 year capital lease agreement for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of these leases. Accrued interest payable related to these capital leases in the amount of \$304,708 was outstanding at June 30, 2017.

The Foundation has also entered into capital equipment lease agreements for each of the schools which expire on dates ranging from May 31, 2018 to June 30, 2020. The equipment was originally purchased by the schools and then acquired by an affiliate of CSUSA in a sale and leaseback transaction.

The capital lease for Mid-City in the amount of \$9,324,583 for the buildings and equipment was cancelled effective June 30, 2017. See note 10 for the dissolution of Mid-City.

The future minimum lease payments under these capital lease obligations as of June, 30, 2017, are as follows:

Year ending June 30,	Amount
2018	\$ 3,055,392
2019	2,871,148
2020	2,831,352
2021	2,695,272
2022	2,735,700
Thereafter	36,212,016
Total minimum lease payments	50,400,880
Less: amounts representing interest	( 26,492,237)
 Present value of minimum lease payments	 \$ 23,908,643
 Less: current portion	 ( 581,992)
Capital lease payable -- long term	\$ 23,326,651

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**8. FEDERAL GRANTS**

The Foundation received federal assistance from the U.S. Department of Education for the Title I program, Title II program, and IDEA program passed through the Louisiana Department of Education which totaled \$620,486, \$77,277 and \$198,554, respectively. In addition, the Foundation received \$797,850 from the U.S. Department of Agriculture passed through the Louisiana Department of Education under the National School Lunch Program.

**9. CONTINGENT LIABILITIES**

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2017.

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

In September 2014, the Iberville Parish School Board and the Louisiana Association of Educators filed separate lawsuits against Louisiana Board of Elementary and Secondary Education (BESE) and the Louisiana Department of Education (LDOE) challenging the constitutionality of the state's ability to use the MFP to fund Type 1B and all Type 2 charter schools. On January 9, 2017, the Louisiana First Circuit court of Appeal reversed the trial court's judgement and rendered the methodology applying the allocation formula to allocate MFP funding to New Type 2 charter schools unconstitutional. The First Circuit Court of Appeal issued a permanent injunction, enjoining the unconstitutional allocation of MFP funds to new Type 2 charter schools. There are motions to stay the ruling pending Louisiana State Supreme Court review. The Supreme Court heard oral arguments on September 5, 2017. The Foundation is uncertain of the ultimate outcome of the lawsuits and no amounts are recorded in the financial statements relating to the lawsuits.

Iberville Charter Academy and South Baton Rouge Charter Academy both have charter expiration dates after the conclusion of the 2017-2018 school year. Each of these schools are currently proceeding through the charter renewal process of their respective sponsors.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**10. DISSOLUTION OF EAST BATON ROUGE CHARTER ACADEMY AT MID-CITY**

The charter school agreement between the East Baton Rouge Charter Academy at Mid-City and The State of Louisiana was revoked on December 16, 2016, effective at the end of the 2016/2017 school year. Based on the terms of the agreement, all remaining assets will revert back to the State per LDOE's Standard Operating Procedure. The net property and equipment of \$8,127,361 for Mid-City was returned to the State as of June 30, 2017. The capital lease obligation for the building and furniture and equipment for Mid-City was \$9,324,483 as of June 30, 2017. The net amount of the property and equipment was offset by the capital lease obligation and the amounts due to the State and resulted in a gain of \$1,197,122 on the disposition of assets.

The Foundation, entered into an agreement with CSUSA to provide post-closing services. The fee for these services is \$102,000 and is recorded as amounts due to CSUSA in the financial statements as of June 30, 2017. The remaining net assets of approximately \$223,000 are accrued as of June 30, 2017. Subsequent to the year ended 2017, Mid-City will close out any remaining operations, which are anticipated to be minimal, and return the remaining cash balances to the State. As of September 30, 2017, the cash balance of the school was approximately \$265,000.

The net amount resulted in a gain of \$975,658 on the disposition of assets as reported in the Statement of Activities and Changes in Net Assets.

**11. RESTATEMENT OF PRIOR NET POSITION**

During the year ended 2017, management determined that there was an error for outstanding accounts payable checks for Mid-City in the amount of \$117,890. This resulted in the understatement of amounts previously reported for the cash balances and understatement of the net position for the financial statements. The 2017 financial statements have been restated to correct this error by increasing the cash balance from \$1,211,532 to \$1,329,422 as of July 1, 2016 and increasing the net position (deficit) at July 1, 2016 from (\$2,505,295) to (\$2,387,396).

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**12. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

FASB has issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how an entity manages its liquid available resources and liquidity risks is required. This standard is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted.

FASB has issued ASU No. 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

**13. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 29, 2017, and determined that there are not items that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTAL INFORMATION**

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

<b><u>ASSETS</u></b>	<b><u>Mid-City</u></b>	<b><u>South Baton Rouge</u></b>	<b><u>Iberville</u></b>	<b><u>Eliminating Entries</u></b>	<b><u>Combined</u></b>
<b><u>CURRENT ASSETS:</u></b>					
Cash	\$ 277,512	\$ 115,435	\$ 377,944	\$ -	\$ 770,891
Cash - restricted	711	28,178	5,351	-	34,240
Grants receivable:					
Federal programs	74,452	537,287	94,308	-	706,047
Other receivables- E-rate	19,604	19,710	20,164	-	59,478
Due from CSUSA affiliate	41	10,476	12,485	-	23,002
Due from other schools	32,515	10,196	-	(28,329)	14,382
Prepaid expenses and other	-	105,106	7,967	-	113,073
Total current assets	<u>404,835</u>	<u>826,388</u>	<u>518,219</u>	<u>(28,329)</u>	<u>1,721,113</u>
<b><u>PROPERTY AND EQUIPMENT (NET):</u></b>					
	<u>-</u>	<u>11,905,478</u>	<u>9,085,497</u>	<u>-</u>	<u>20,990,975</u>
<b><u>NON-CURRENT ASSETS:</u></b>					
Utility deposit	<u>10,612</u>	<u>13,295</u>	<u>15,000</u>	<u>-</u>	<u>38,907</u>
Total non-current assets	<u>10,612</u>	<u>13,295</u>	<u>15,000</u>	<u>-</u>	<u>38,907</u>
<b>Total assets</b>	<b><u>\$ 415,447</u></b>	<b><u>\$ 12,745,161</u></b>	<b><u>\$ 9,618,716</u></b>	<b><u>\$ (28,329)</u></b>	<b><u>\$ 22,750,995</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b><u>CURRENT LIABILITIES:</u></b>					
Accounts payable	\$ 38,359	\$ 69,309	\$ 30,064	\$ -	\$ 137,732
Accrued payroll and related expenses	2,120.00	236,407	95,544	-	334,071
Accrued other expenses- see Note 10	257,788	5,523	22,094	-	285,405
Due to CSUSA	116,469	324,747	336,066	-	777,282
Due to other schools	-	-	34,202	(28,329)	5,873
Accrued interest payable - short term portion	-	96,169	71,010	-	167,179
Capital lease payable - short term portion	-	292,691	289,301	-	581,992
Deferred revenues	-	-	167	-	167
Funds held in custody	711	28,178	5,351	-	34,240
Total current liabilities	<u>415,447</u>	<u>1,053,024</u>	<u>883,799</u>	<u>(28,329)</u>	<u>2,323,941</u>
<b><u>LONG TERM LIABILITIES:</u></b>					
Accrued interest payable	-	67,802	69,727	-	137,529
Capital lease payable	-	13,582,600	9,744,051	-	23,326,651
Total long-term liabilities	<u>-</u>	<u>13,650,402</u>	<u>9,813,778</u>	<u>-</u>	<u>23,464,180</u>
<b><u>NET ASSETS (DEFICIT):</u></b>					
Unrestricted	-	(1,958,265)	(1,078,861)	-	(3,037,126)
Temporarily Restricted	-	-	-	-	-
Total net deficit	<u>-</u>	<u>(1,958,265)</u>	<u>(1,078,861)</u>	<u>-</u>	<u>(3,037,126)</u>
<b>Total liabilities and net deficit</b>	<b><u>\$ 415,447</u></b>	<b><u>\$ 12,745,161</u></b>	<b><u>\$ 9,618,716</u></b>	<b><u>\$ (28,329)</u></b>	<b><u>\$ 22,750,995</u></b>

See independent auditors' report.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Mid-City</u>	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<b>Revenue, Grants and Other Support</b>					
Minimum Foundation Program (MFP)	\$ 7,385,572	\$ 6,752,528	\$ 3,980,642	-	\$ 18,118,742
Federal grants	892,972	411,302	389,893	-	1,694,167
State Grants	-	-	5,000	-	5,000
Paid meals	-	360	-	-	360
Before and aftercare fees	48,861	17,348	6,521	-	72,730
E-rate revenues	22,627	21,847	39,886	-	84,360
Disposition of assets- Mid-City (see Note 10)	975,658	-	-	-	975,658
Other income	10,547	2,703	141,629	-	154,879
Total unrestricted revenues and support	<u>9,336,237</u>	<u>7,206,088</u>	<u>4,563,571</u>	<u>-</u>	<u>21,105,896</u>
<b>Expenses:</b>					
Program services:					
Instructional - regular education programs	3,658,837	2,810,980	1,629,603	-	8,099,420
Pupil support services	449,876	206,855	193,094	-	849,825
Instructional staff support services	123,423	65,216	94,312	-	282,951
School administration	585,173	662,561	522,857	-	1,770,591
Operation and maintenance of plant services	1,512,111	1,586,870	937,676	-	4,036,657
Student transportation	54,236	173,865	166,830	-	394,931
Food services	344,605	297,287	231,309	-	873,201
Non-instructional expense	99,164	10,784	50,270	-	160,218
Management and general:					
Business services	1,410,171	258,940	21,911	-	1,691,022
Central services	19,052	137,582	11,839	-	168,473
Debt service	932,289	1,440,873	1,055,175	-	3,428,337
Total expenses	<u>9,188,937</u>	<u>7,651,813</u>	<u>4,914,876</u>	<u>-</u>	<u>21,755,626</u>
Change in net assets	147,300	(445,725)	(351,305)	-	(649,730)
<b>NET ASSETS (DEFICIT) AT BEGINNING OF THE YEAR, as previously reported</b>					
	(265,199)	(1,512,540)	(727,556)	-	(2,505,295)
<b>Correction of an error</b>					
	<u>117,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,899</u>
<b>NET ASSETS (DEFICIT) AT BEGINNING OF THE YEAR, as restated</b>					
	<u>(147,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,387,396)</u>
<b>NET DEFICIT AT END OF THE YEAR</b>					
	<u>\$ -</u>	<u>\$ (1,958,265)</u>	<u>\$ (1,078,861)</u>	<u>-</u>	<u>\$ (3,037,126)</u>

See independent auditors' report.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO BOARD PRESIDENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Board President, John Pierre

<u>Purpose</u>	<u>Amount</u>
Travel reimbursement	\$ -
	<u>\$ -</u>

See independent auditors' report.



Postlethwaite & Netterville

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A Professional Accounting Corporation

**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 for  
South Louisiana Charter Foundation, Inc.  
Baton Rouge, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

**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.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, 2017-002 and 2017-003, that we consider to be significant deficiencies.

### **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 provision of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **South Louisiana Charter Foundation's Response to Findings**

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

### **Purpose of this Report**

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



Baton Rouge, Louisiana  
December 29, 2017

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

South Louisiana Charter Foundation, Inc.  
Baton Rouge, Louisiana

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

We have audited the South Louisiana Charter Foundation's (the Foundation) compliance with the types of compliance requirements described in the *Uniform Guidance 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, 2017. 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.

***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; 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 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 its 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 its major federal program for the year ended June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major federal program is not modified with respect to these matters.



The Foundation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005, that we consider to be significant deficiencies.

The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads 'Postlethwaite &amp; Netterville'.

Baton Rouge, Louisiana  
December 29, 2017

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>CFDA Number</u>	<u>Expenditures 2017</u>
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 16/17	10.555 <sup>1</sup>	\$ 641,507
National School Breakfast Program	LDE - 16/17	10.553 <sup>1</sup>	<u>156,343</u>
<b>Total US Department of Agriculture</b>			<u><u>797,850</u></u>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-17-T1-ED	84.010A	507,408
Passed through East Baton Rouge School System:			
Title I - Grants to Local Educational Agencies	28-17-T1-ED	84.010A	<u>113,078</u>
Subtotal Title I - Grants to Local Education Agencies			<u><u>620,486</u></u>
Passed through Louisiana Department of Education:			
Special Education, IDEA	28-17-B1	84.027A <sup>2</sup>	198,554
Title II - Part A, Teacher & Principal Training & Recruiting	28-17-50	84.367A	<u>77,277</u>
<b>Total US Department of Education</b>			<u><u>275,831</u></u>
<b>Total Expenditures</b>			<u><u>\$ 1,694,167</u></u>

<sup>1</sup> Child nutrition cluster - \$797,850

<sup>2</sup> Special education cluster - \$198,554

None of the above listed federal awards were passed through to subgrantees.

See accompanying notes to the schedule of expenditures of federal awards.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Louisiana Charter Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – DE MINIMUS COST RATE**

During the year ended June 30, 2017, the South Louisiana Charter Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.



**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2017 – 001)                      Procedures over School Close Out**

Criteria:                      The charter school agreement between the East Baton Rouge Charter Academy at Mid-City (Mid-City) and The State of Louisiana was not renewed on December 16, 2016, effective at the end of the 2016/2017 school year. Based on the terms of the agreement, all remaining assets will revert back to the Louisiana Department of Education (LDOE) per LDOE's Standard Operating Procedure. The LDOE requires that the Foundation establish and document a process for close-out. This close-out process should include a process for ensuring that all vendors and outstanding debts are paid, ensuring that all outstanding litigation is substantially completed and a methodology for determining the portion of the net assets generated through donations and a process for determining the portion of the net assets that was generated by MFP state and local allocations. Accounting records must be maintained to substantiate the makeup of the cash balance to ensure that the correct amount is remitted to the LDOE.

Condition:                      During our audit, documentation for certain transactions of Mid-City could not be provided for the following items:

- Documentation for 5 out of 19 cash receipts was not able to be located
- Payroll testing:
  - 1 out 5 employees tested lacked documentation of the review of compensation paid and pay rate during the year.
  - 9 out of 25 employees tested were missing documentation of approval of attendance/leave requests.
  - Missing documentation for 2 out 2 employees tested for approval of termination payments.
- Missing documentation for 1 out of 5 employees tested for evidence of Ethics Training

Cause:                              The Foundation has not previously completed a school close out in accordance with the State's LDOE Standard Operating Procedures and lacked established procedures for this process. The records for Mid-City were not maintained through a formal record keeping policy subsequent to the closure of the school and all records were returned to the management company.

Effect:                              The lack of such controls and procedures over the close out of a school may result in incorrect recording of transactions in the financial statements. Supporting documentation was difficult to locate and unable to be provided due to the records being sent to the management company.

Recommendation:              The Foundation should establish written policies and procedures in accordance with the State's LDOE Standard Operating Procedures to ensure that the financial statements properly reflect the activity of the closed school, as well as maintain the necessary supporting accounting records.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

**2017 – 001)                      Procedures over School Close Out(continued)**

**Repeat Finding:**            No.

**View of Responsible Official:**

*One of the schools in the foundation, East Baton Rouge Charter Academy at Mid-City, was not granted a charter renewal and as a result their charter expired on June 30, 2017. This was the first time the foundation had a school closure. The management company formed a committee to handle the closure and ensure the school was in compliance with the LDOE Standard Operating Procedures. Part of the process was to mail all financial records to the Support Center so they would be available for audit and close-out procedures, however not all records were properly retained. New electronic record retention policies and procedures are being implemented for financial and personnel records. Electronic record retention will safe guard against losing records in the event of a school closure. The foundation and management company will review how the close out was handled and make notes for improvement in the event they encounter a similar situation in the future.*

**2017 – 002)                      School Activity Funds**

**Criteria:**                      Internal controls over cash collections for school activity funds have been established by the Foundation. These controls include segregation of duties, the use of ticketed receipt books, timely deposits, and reconciliations of those deposits to a “Daily Cash Receipts Reconciliation” which is maintained daily by each teacher/sponsor and submitted to the School Operations Administrator. This reconciliation is used in the reconciliation process of the daily deposits made by each school.

**Condition:**                      In 10 out of a sample of 40 cash deposits selected for testing each of the Foundation’s schools were unable to locate the deposit information including the teacher collection log for which these cash receipts totaled \$34,457. For 2 out of a sample of 40 cash deposits selected for testing, the amount deposited did not tie to the cash collected per the Daily Cash Receipts Reconciliation.

**Cause:**                              Lack of adequate record keeping and employee turnover related to the School Operations Administrator position has resulted in poorly maintained documentation related to school deposits.

**Effect:**                              Without proper internal controls over the cash collections at each school, there is an opportunity for misappropriation of these funds which may go undetected and result in a loss of school funds.

**Recommendation:**              The Foundation should communicate the importance of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being implemented and performed appropriately.

**Repeat Finding:**                      Yes.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

**2017 – 002)                      School Activity Funds              (continued)**

**View of Responsible Official:**

*One of the schools within the foundation closed subsequent to the 2016-2017 school year, which affected their ability to provide records. Processes are being put in place to ensure that records are properly retained in the event of a school closure. The lead trainer of the SOA position continues to visit the schools to reinforce CSUSA cash receipts policies and stress the importance of record retention. The Principal and Regional Director are also aware that record retention has been a recurring issue and must be corrected. We are working on implementing new procedures that will help with record retention. Some of these process include requiring School Operations Administrator to provided electronic copies of all deposits to the staff accountant assigned to the school rather than only conducting intermittent checks that the proper backup is being retained.*

**2017 – 003)                      Approval of Pay Rates**

**Criteria:**                      Internal controls over approved pay rates have been established by the Foundation. These controls include review of the Personnel Action Forms (PAF) by the school's principal before submission to Human Resources.

**Condition:**                      In 5 out of a sample of 40 employees selected for testing, the compensation letter was signed by the employee, but not signed by the Principal in accordance with their internal policy.

**Cause:**                              Lack of adequate record keeping has resulted in poorly maintained documentation related to approval of pay rates.

**Effect:**                              Maintaining pay rate authorization in the employee personnel files is an important control against unauthorized changes in pay rates.

**Recommendation:**              The Foundation should communicate the importance of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being performed appropriately.

**Repeat Finding:**                      No.

**View of Responsible Official:**

*We have begun implementing process that include electronic filing of records rather than only requiring school operation administrators to retain paper copies at the school level. The data entry team keeps copies of all personnel action forms for new hires and salary changes in our human resource information system, Ultimate software. By maintaining these records electronically, we will be able to keep more thorough records. Housing the data in the employees' records will allow for faster completion of documentation requests for audit purposes as well.*

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2017 – 004)Reporting – Internal Controls**

**Child Nutrition Cluster:**

**CFDA #10.555 National School Lunch Program**

**CFDA #10.553 National School Breakfast Program**

Questioned Costs:       None.

Criteria:               The Uniform Guidance requires that a system of internal controls must be in place to ensure the Foundation's compliance with applicable direct and material areas of compliance, including reporting. In accordance with grant terms, funds passed through from the Louisiana Department of Education (LDOE) are received on a reimbursement-basis based on eligible meals served.

In accordance with compliance requirements described at 2 CFR section 200.305, the Foundation is required to submit reimbursement requests to the LDOE on a periodic basis, which is typically monthly.

Universe/  
Population Size:       Not applicable.

Sample Size:           Not applicable.

Condition(s):         During our audit procedures, we noted that a detailed review and approval of requests for reimbursement prior to its submission to the LDOE was not documented. The accountant prepares reimbursement requests from system data that supports meal counts and the number of meals served by category and based on inquiry of management a review of these requests for reimbursement is performed; however, no documented evidence of this review of the prepared request is maintained.

Cause:                 Management has underlying controls that they believe to be sufficient to ensure accuracy of reimbursement requests; however, these controls are not documented by evidence of approval.

Effect:                The Foundation lacks documented internal controls over the preparation and submission of the reimbursement claims for meals served. Without appropriate documented internal controls over reporting, reviews of the reimbursement claims may not be performed and errors in amounts requested may go undetected that would cause them to be non-compliant with Federal award terms.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(continued)**

**2017 – 004)            Reporting – Internal Controls (continued)**

**Child Nutrition Cluster:**

**CFDA #10.555 National School Lunch Program**

**CFDA #10.553 National School Breakfast Program**

**Recommendation:**            The Foundation should develop and implement policies and procedures requiring documented evidence of review over all reporting requirements, specifically for meals claimed for reimbursement, to ensure that all reports required by the grant terms are reviewed and approved prior to submission.

**Repeat Finding:**            No.

**View of Responsible Official:**

*The current process for requesting reimbursements includes the Operations Coordinator who supports the school checking to ensure the Operations Administrative Assistant properly entered the counts into the disbursement worksheet correctly and that they match the counts submitted by the school. Once confirmed to be correct, the Operations Coordinator then enters the counts into the state system, but does not submit the counts until receiving approval from the Senior Operations Manager. The current process only requires a verbal approval for submission, but the process will be revised to include a written approval in order to allow for documentation of the approval.*

**2017 – 005)            Submission to the Federal Audit Clearinghouse**

**Questioned Costs:**            None.

**Criteria:**                        The Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.512 requires auditees to submit a completed Form SF-SAC, along with one complete reporting package, to the Federal Audit Clearinghouse.

**Universe/**

**Population Size:**            Not applicable.

**Sample Size:**                Not applicable.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(continued)**

**2017 – 005)            Submission to the Federal Audit Clearinghouse (continued)**

**Condition(s):**            The audit shall be completed and the data collection form and reporting package shall be electronically transmitted within the earlier of 30 days after receipt of the auditors' report, or nine months after the end of the audit period.

**Cause:**                    The financial statements for the year ended June 30, 2016 were issued on December 23, 2016. The Submission to the Federal Audit Clearinghouse was completed on September 21, 2017, which exceeds the timeframe for timely submission. The Foundation lacks internal controls over tracking the timely submission of the reporting package within the required timeframe for submission as required by Uniform Guidance.

**Effect:**                    Noncompliance with the reporting deadline could result in a reduction in funding or denied future applications for grant awards.

**Recommendation:**        The Foundation should develop and implement policies and procedures over all reporting requirements, specifically submission to the federal audit clearinghouse, to ensure that all reports required by the grant terms are submitted timely in accordance with Uniform Guidance.

**Repeat Finding:**            No.

**View of Responsible Official:**

*The current process for submitting the audit to the Federal Audit Clearinghouse is the audit firm initiates the submission as a courtesy and then notifies the management company to finish the submission. We will implement a process to follow up with audit firm if we are not notified of the submission within thirty days of the audit issuance date.*

**SOUTH LOUISIANA CHARTER FOUNDATION, INC**  
**PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2016 - 001 School Activity Funds**

**Criteria:** Internal controls over cash collections for school activity funds have been established by the Foundation. These controls include segregation of duties, the use of ticketed receipt books, timely deposits, and reconciliations of those deposits to a “Daily Cash Receipts Reconciliation” which is maintained daily by each teacher/sponsor and submitted to the School Operations Administrator. This reconciliation is used in the reconciliation process of the daily deposits made by each school.

**Condition:** In 29 out of a sample of 40 cash deposits selected for testing two of the Foundation’s three schools were unable to locate the deposit information including the teacher collection log for which these cash receipts totaled \$61,112.

**Cause:** Lack of adequate record keeping and employee turnover related to the School Operations Administrator position has resulted in poorly maintained documentation related to school deposits.

**Effect:** Without proper internal controls over the cash collections at each school, there is an opportunity for misappropriation of these funds which may go undetected and result in a loss of school funds.

**Recommendation:** The Foundation should communicate the importance of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being implemented and performed appropriately.

**View of Responsible Official:**

*The school had turnover in the School Operations Administrator (SOA) position in FY16 which interfered with record retention, specifically related to daily cash receipts. The school has since had the lead trainer of the SOA position visit several times to reinforce CSUSA cash receipts policies and stress the importance of record retention. The Principal and Regional Director have also been notified that record retention has been a significant issue in the past and must be corrected. In order to assure the SOA is being diligent the staff accountant will be requesting sample audits throughout the year as it relates to cash deposits. We plan on increasing the frequency of these sample audits as a result of this finding. Any inconsistencies with the samples will be addressed with the SOA.*

**Current Status: Not resolved. See finding 2017-002.**

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

To the Board Members of  
South Louisiana Charter Foundation, Inc.  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of South Louisiana Charter Foundation, Inc., and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the South Louisiana Charter Foundation, Inc. for the fiscal year ended June 30, 2017; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.1. Management of the South Louisiana Charter Foundation, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of performance and statistical data and are as follows:

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

*Procedure #1*

P&N selected a sample of 25 transactions and inspected supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue

*Results of procedure # 1*

In performing the procedures on the sample of expenditures/revenues, we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.



Postlethwaite & Netterville

### **Education Levels of Public School Staff (Schedule 2)**

#### *Procedure # 2*

We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school supporting payroll records as of October 1st.

#### *Results of Procedure # 2*

No differences were noted between the number of full-time classroom teachers per schedule 4 and schedule 2, nor between the schedules and the October 1<sup>st</sup> payroll records.

#### *Procedure # 3*

We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule and to school supporting payroll records as of October 1<sup>st</sup>.

#### *Results of procedure # 3*

No differences were noted between the number of principals and assistant principals per schedule 4 and schedule 2, nor between the schedules and the October 1<sup>st</sup> payroll records.

#### *Procedure # 4*

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1<sup>st</sup> and as reported on the schedule. We traced a sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

#### *Results of Procedure # 4:*

In our sample of 25 employees, we were not provided the support for 11 employees, and we noted 3 discrepancies between the schedule and the provided support.

### **Number and Type of Public Schools (Schedule 3)**

#### *Procedure # 5*

We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

#### *Results of Procedure # 5*

We noted no discrepancies between the schools as listed in the "Class Size Data Report" and the list of schools on the application.



Postlethwaite & Netterville

#### **Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)**

##### *Procedure #6*

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individuals' personnel files to determine if the individuals' experience was properly classified on the schedule.

##### *Results of Procedure # 6*

In our sample of 25 employees, we were not provided with support for 14 employees.

#### **Public School Staff Data (Schedule 5)**

##### *Procedure # 7*

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

##### *Results of procedure # 7*

In our sample of 25 teachers, we were not provided support for five employees, and noted discrepancies between the schedules and the provided support for two employees.

##### *Procedure # 8*

We recalculated the average salaries and full-time equivalents reported in the schedule to determine mathematical accuracy.

##### *Results of procedure # 8*

No differences were noted.

#### **Class Size Characteristics (Schedule 6)**

##### *Procedure # 9*

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

##### *Results of Procedure # 9*

Of the 10 classes selected, we were not provided support for seven classes and noted discrepancies in two classes between the number of students per the LEAD class summary and the number of students per the report/roll book.



Postlethwaite & Netterville

**Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)**

*Procedure # 10*

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the South Louisiana Charter Foundation.

*Results of Procedure # 10*

No differences were noted.

**The Graduation Exit Exam for the 21st Century (Schedule 8)**

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

**The iLEAP Tests (Schedule 9)**

*Procedure # 12*

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the South Louisiana Charter Foundation.

*Results of Procedure # 12*

No differences were noted.

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.

This report is intended solely for the use of management of South Louisiana Charter Foundation, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 29, 2017

**South Louisiana Charter Foundation**  
**Baton Rouge, Louisiana**

**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources**  
**For the Year Ended June 30, 2017**

<b>General Fund Instructional and Equipment Expenditures</b>	<u>Column A</u>	<u>Column B</u>
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 3,736,286	
Other Instructional Staff Activities	383,880	
Instructional Staff Employee Benefits	609,135	
Purchased Professional and Technical Services	329,404	
Instructional Materials and Supplies	208,856	
Instructional Equipment	45,199	
Total Teacher and Student Interaction Activities		<u>\$ 5,312,760</u>
Other Instructional Activities		<u>481,636</u>
Pupil Support Activities	221,198	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		<u>221,198</u>
Instructional Staff Services	568,080	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		<u>568,080</u>
School Administration	688,339	
Less: Equipment for School Administration	-	
Net School Administration		<u>688,339</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>7,272,013</u>
Total General Fund Equipment Expenditures		<u>45,199</u>
<b>Certain Local Revenue Sources</b>		
Local Taxation Revenue:		
Ad Valorem Taxes	-	
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 - Gross		-
Total Local Taxation Revenue		<u>-</u>
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		<u>-</u>
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		<u>-</u>
Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue		-

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

Baton Rouge, Louisiana

**Education Levels of Public School Staff**

As of October 1, 2016

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0.00%	1	2.00%	0	0.00%	0	0.00%
Bachelor's Degree	16	57.14%	44	88.00%	0	0.00%	0	0.00%
Master's Degree	11	39.29%	5	10.00%	2	50.00%	0	0.00%
Master's Degree + 30	1	3.57%	0	0.00%	0	0.00%	0	0.00%
Specialist in Education	0	0.00%	0	0.00%	2	50.00%	0	0.00%
Ph. D. or Ed. D.	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Total</b>	<b>28</b>	<b>100.00%</b>	<b>50</b>	<b>100.00%</b>	<b>4</b>	<b>100.00%</b>	<b>0</b>	<b>0.00%</b>

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

Baton Rouge, Louisiana

**Number and Type of Public Schools****For the Year Ended June 30, 2017**

<b>Type</b>	<b>Number</b>
Elementary	0
Middle/Jr. High	0
Secondary	0
Combination	2
<b>Total</b>	<b>2</b>

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

Note: Schools opened or closed during the fiscal year are included in this schedule.

**SOUTH LOUISIANA CHARTER FOUNDATION****Baton Rouge, Louisiana****Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers****As of October 1, 2016**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	0	2	0	0	0	2
Principals	0	0	0	0	2	0	0	2
Classroom Teachers	52	8	11	1	2	1	3	78
<b>Total</b>	52	8	11	3	4	1	3	82

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION**  
**Baton Rouge, Louisiana**

**Public School Staff Data: Average Salaries**  
**For the Year Ended June 30, 2017**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$48,983	\$48,983
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,749	\$46,749
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	80.63	80.63

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION****Baton Rouge, Louisiana****Class Size Characteristics****As of October 1, 2016**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	53.42%	86	46.58%	75	0.00%	0	0.00%	0
Elementary Activity Classes	53.68%	73	46.32%	63	0.00%	0	0.00%	0
Middle/Jr. High	79.27%	65	15.85%	13	4.88%	4	0.00%	0
Middle/Jr. High Activity Classes	77.50%	31	22.50%	9	0.00%	0	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	64.52%	20	22.58%	7	12.90%	4	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	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 Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION**

Baton Rouge, Louisiana

**Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Year Ended June 30, 2017**

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	1.00%	0.00%	0.00%	3.00%	0.00%
Mastery	23.00%	15.00%	10.00%	18.00%	16.00%	7.00%
Basic	16.00%	27.00%	21.00%	20.00%	30.00%	22.00%
Approaching Basic	25.00%	23.00%	35.00%	35.00%	27.00%	39.00%
Unsatisfactory	36.00%	34.00%	34.00%	27.00%	24.00%	32.00%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%
Mastery	17.76%	12.00%	11.62%	17.50%	4.02%	7.00%
Basic	29.54%	24.00%	24.24%	22.00%	24.15%	21.50%
Approaching Basic	37.91%	43.50%	42.93%	34.50%	37.69%	41.00%
Unsatisfactory	13.32%	20.50%	21.21%	26.00%	34.15%	30.50%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mastery	13.94%	10.50%	5.00%	4.02%	5.00%	2.49%
Basic	35.28%	34.50%	24.50%	25.67%	20.00%	13.95%
Approaching Basic	29.38%	29.50%	44.00%	27.66%	39.00%	52.25%
Unsatisfactory	21.41%	25.50%	26.50%	42.66%	36.00%	31.32%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mastery	10.50%	6.06%	7.50%	1.50%	1.52%	6.48%
Basic	26.00%	35.85%	36.04%	21.50%	16.08%	30.37%
Approaching Basic	43.50%	41.94%	37.01%	45.00%	47.26%	41.75%
Unsatisfactory	20.00%	16.15%	19.45%	32.00%	35.15%	21.41%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 7 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.99%	0.00%	0.00%	2.00%	0.00%
Mastery	10.56%	5.47%	0.00%	0.00%	4.50%	0.00%
Basic	34.63%	37.78%	0.00%	20.00%	15.00%	0.00%
Approaching Basic	32.17%	36.86%	0.00%	54.00%	57.50%	0.00%
Unsatisfactory	22.64%	18.91%	0.00%	26.00%	21.00%	0.00%
<b>Total</b>	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 8 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2.97%	0.00%	0.00%	2.97%	0.00%	0.00%
Mastery	21.94%	14.00%	0.00%	3.97%	5.00%	0.00%
Basic	26.49%	27.00%	0.00%	17.42%	17.00%	0.00%
Approaching Basic	37.49%	46.00%	0.00%	48.25%	38.00%	0.00%
Unsatisfactory	11.11%	13.00%	0.00%	27.39%	40.00%	0.00%
<b>Total</b>	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION**

Baton Rouge, Louisiana

**The Graduation Exit Exam for the 21st Century**

**Schedule 8 is The Graduation Exit Examination and is no longer administered. This schedule is no longer applicable.**

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION**  
Baton Rouge, Louisiana

iLeap Tests  
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1.48%	0.00%	1.5%	N/A	N/A	0.00%
Mastery	5.47%	1.01%	5.5%	N/A	N/A	4.03%
Basic	32.31%	42.65%	32.4%	N/A	N/A	40.74%
Approaching Basic	29.38%	32.19%	32.9%	N/A	N/A	34.15%
Unsatisfactory	31.36%	24.15%	27.8%	N/A	N/A	21.08%
<b>Total</b>	100.00%	100.00%	100.00%	N/A	N/A	100.00%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1.48%	0.00%	0.00%	N/A	N/A	0.00%
Mastery	7.95%	2.00%	4.00%	N/A	N/A	0.00%
Basic	39.30%	25.88%	31.00%	N/A	N/A	27.00%
Approaching Basic	34.83%	49.21%	35.50%	N/A	N/A	33.50%
Unsatisfactory	16.44%	22.91%	29.50%	N/A	N/A	39.50%
<b>Total</b>	100.00%	100.00%	100.00%	N/A	N/A	100.00%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	0.00%	N/A	N/A	0.00%
Mastery	0.00%	1.50%	0.00%	N/A	N/A	0.00%
Basic	25.50%	24.00%	25.50%	N/A	N/A	19.50%
Approaching Basic	33.50%	40.00%	33.00%	N/A	N/A	43.00%
Unsatisfactory	41.00%	34.50%	41.50%	N/A	N/A	37.50%
<b>Total</b>	100.00%	100.00%	100.00%	N/A	N/A	100.00%

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.

**SOUTH LOUISIANA CHARTER FOUNDATION**  
Baton Rouge, Louisiana

iLeap Tests  
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	0.00%	N/A	N/A	0.00%
Mastery	4.99%	0.00%	3.50%	N/A	N/A	1.01%
Basic	31.84%	24.52%	32.00%	N/A	N/A	37.37%
Approaching Basic	44.76%	46.27%	41.50%	N/A	N/A	44.44%
Unsatisfactory	18.41%	29.21%	23.00%	N/A	N/A	17.17%
<b>Total</b>	100.00%	100.00%	100.00%	N/A	N/A	100.00%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 7 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	0.00%	N/A	N/A	0.00%
Mastery	3.48%	6.00%	0.00%	N/A	N/A	0.00%
Basic	25.88%	30.15%	17.35%	N/A	N/A	35.00%
Approaching Basic	40.33%	43.24%	48.98%	N/A	N/A	40.00%
Unsatisfactory	30.31%	20.61%	33.67%	N/A	N/A	25.00%
<b>Total</b>	100.00%	100.00%	100.00%	N/A	N/A	100.00%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 8 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0.00%	0.00%	N/A	N/A	N/A	N/A
Mastery	2.00%	2.00%	N/A	N/A	N/A	N/A
Basic	12.00%	14.00%	N/A	N/A	N/A	N/A
Approaching Basic	48.00%	49.00%	N/A	N/A	N/A	N/A
Unsatisfactory	38.00%	35.00%	N/A	N/A	N/A	N/A
<b>Total</b>	100.00%	100.00%	N/A	N/A	N/A	N/A

See Independent Accountants' Report

Note: Schedule does not include South Baton Rouge Charter Academy, which is reported with the East Baton Rouge Parish School Board.



**South Louisiana Charter  
FOUNDATION, INC.**

December 27, 2017

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera,

South Louisiana Charter Foundation respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: Postlethwaite and Netterville, APAC  
8550 United Plaza Blvd., Suite 1001  
Baton Rouge, Louisiana 70809

Audit period: July 1, 2016 – June 30, 2017

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2017-001 Procedures over School Close Out**

Recommendation: The foundation should establish policies and procedures in accordance with the State's LDOE Standard Operating Procedures to ensure that the financial statements properly reflect the activity of the school closed, as well as maintain the necessary supporting accounting records.

Management's Response: One of the schools in the foundation, East Baton Rouge Charter Academy at Mid-City, was not granted a charter renewal and as a result their charter expired on June 30, 2017. This was the first time the foundation had a school closure. The management company formed a committee to handle the closure and ensure the school was in compliance with the LDOE Standard Operating Procedures. Part of the process was to mail all financial records to the Support Center so they would be available for audit and close-out procedures, however not all records were properly retained. New electronic record retention policies and procedures are being implemented for financial and personnel records. Electronic record retention will safe guard against losing records in the event of a school closure. The foundation and management company will review how the close out was handled and make notes for improvement in the event they encounter a similar situation in the future

### **2017-002 School Activity Funds**

**Recommendation:** The foundation should communicate the important of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being implemented and performed properly.

**Management's Response:** One of the schools within the foundation closed subsequent to the 2016-2017 school year, which affected their ability to provide records. Processes are being put in place to ensure that records are properly retained in the event of a school closure. The lead trainer of the SOA position continues to visit the schools to reinforce CSUSA cash receipts policies and stress the importance of record retention. The Principal and Regional Director are also aware that record retention has been a recurring issue and must be corrected. We are working on implementing new procedures that will help with record retention. Some of these process include requiring School Operations Administrator to provided electronic copies of all deposits to the staff accountant assigned to the school rather than only conducting intermittent checks that the proper backup is being retained.

### **2017-003 Approval of Pay Rates**

**Recommendation:** The foundation should communicate the important of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being implemented and performed properly.

**Management's Response:** We have begun implementing process that include electronic filing of records rather than only requiring school operation administrators to retain paper copies at the school level. The data entry team keeps copies of all personnel action forms for new hires and salary changes in our human resource information system, Ultimate Software. By maintaining these records electronically, we will be able to keep more thorough records. Housing the data in the employees' records will allow for faster completion of documentation requests for audit purposes as well.

## **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

### **2017-004 Internal Controls over Reporting**

**Recommendation:** The foundation should develop policies and procedures over all reporting requirements, specifically for meals claimed for reimbursement, to ensure that all reports required by the grant terms are reviewed and approved prior to submission.

**Management's Response:** The current process for requesting reimbursements includes the Operations Coordinator who supports the school checking to ensure the Operations Administrative Assistant properly entered the counts into the disbursement worksheet correctly and that they match the counts submitted by the school. Once confirmed to be correct, the Operations Coordinator then enters the counts into the state system, but does not submit the counts until receiving approval from the Senior Operations Manager. The current process only requires a verbal approval for submission, but the process will be revised to include a written approval in order to allow for documentation of the approval

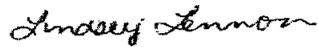
### **2017-005 Submission to the Federal Audit Clearinghouse**

**Recommendation:** The foundation should develop policies and procedures over all reporting requirements, specifically for submission to the Federal Audit Clearinghouse, to ensure that all reports required by the grant terms are submitted timely in accordance with Uniform Guidance.

Management's Response: The current process for submitting the audit to the Federal Audit Clearinghouse is the audit firm initiates the submission as a courtesy and then notifies the management company to finish the submission. We will implement a process to follow up with audit firm if we are not notified of the submission within thirty days of the audit issuance date.

If the Legislative Auditor has questions regarding this plan, please feel free to call me at (954) 202-3500 ext. 1444 or send an email to [llennon@charterschoolsusa.com](mailto:llennon@charterschoolsusa.com).

Sincerely,



Lindsey Lennon, CPA,  
Controller – Schools, Charter Schools USA



**South Louisiana Charter  
FOUNDATION, INC.**

**Responses to differences notated in Schedules 1-9 of Statewide AUPs**

**Schedule 2 – In our sample of 25 employees, we were not provided the support for 11 employees, and we noted 3 discrepancies between the schedule and the provided support.**

Response: The foundation and management will reinforce the importance of document retention. New policies are being implemented that require personnel files to be upload to our Human Resource Information System, which will allow the files to be access electronically. Files were not properly retained during Mid-City's closure and as a result could not be provided during the agreed upon procedure.

**Schedule 4 - In our sample of 25 employees, we were not provided with support for 14 employees.**

Response: The foundation and management will reinforce the importance of document retention. New policies are being implemented that require personnel files to be upload to our Human Resource Information System, which will allow the files to be access electronically. Files were not properly retained during Mid-City's closure and as a result could not be provided during the agreed upon procedure.

**Schedule 5 - In our sample of 25 teachers, we were not provided support for five employees, and noted discrepancies between the schedules and the provided support for two employees.**

Response: Depending on an employee's start date, the amount notated in the personnel file may differ from the amount reported on schedule 5. Also, the personnel file document may only include the employee's annual salary, whereas the Schedule 5 may include stipends or bonuses paid to the employee. Management is currently working to implement policies requiring personnel documents be uploaded electronically which will help with document retention.

**Schedule 6 - Of the 10 classes selected, we were not provided support for seven classes and noted discrepancies in two classes between the number of students per the LEAD class summary and the number of students per the report/roll book.**

Response: The foundation and management will reinforce the importance of retaining all documents needed to complete these schedules. During Mid-City's closure, some documents were not properly retained and therefor were not available during the procedures. Because the school was closed, there was no personnel at the school to help with providing the report/roll book.

The discrepancies are a result of one of three things: 1) student listed in error did not have a schedule; 2) student dropped before Oct 1; or 3) student reported in SIS but not added by school. We ensure that the roll books are corrected for such issues in the future.

Signature: *Lindsey Lannon*

Title: Controller

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**SOUTH LOUISIANA CHARTER FOUNDATION**

**REPORT ON STATEWIDE**  
**AGREED-UPON PROCEDURES ON COMPLIANCE AND**  
**CONTROL AREAS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

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Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809  
225-922-4600 Phone - 225-922-4611 Fax - [pncpa.com](http://pncpa.com)

A Professional Accounting Corporation

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors for  
South Louisiana Charter Foundation and the  
Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A, which were agreed to by the board of South Louisiana Charter Foundation (the Foundation) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Board's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

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

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

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 29, 2017

**SOUTH LOUISIANA CHARTER FOUNDATION  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
JUNE 30, 2017**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "no exception noted". If not, then a description of the exception ensues.

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

*No exceptions 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 noted.*

- c) ***Disbursements***, including processing, reviewing, and approving

*No exceptions noted.*

- d) ***Receipts***, including receiving, recording, and preparing deposits.

*No exceptions noted.*

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

*No exceptions noted.*

- 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 noted.*

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*The Foundation does not use credit cards, debit cards, fuel cards or any type of P-cards.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
JUNE 30, 2017**

Schedule A

- 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 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.

*The Foundation does not have a formal system to monitor possible ethic violations nor a requirement that all employees annually attest through signature verification that they have read the Foundation's ethics policy.*

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

*Not applicable to the Foundation.*

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

---

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exceptions noted.*

- b) Report whether the minutes referenced are including monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*No formal/written plan was discussed in the board minutes to eliminate the deficit spending for the three schools.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
JUNE 30, 2017**

Schedule A

***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A listing of bank accounts was provided and included a total of 12 bank accounts. No exceptions were noted as a result of performing this procedure.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

*From the listing provided, P&N selected 4 accounts and obtained the bank reconciliations for each of the twelve months ending June 30, 2017, resulting in 48 bank reconciliations obtained and subjected to the below procedures.*

- a) Bank reconciliations have been prepared;

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*No exceptions noted.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*No exceptions noted.*

***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*P&N selected all three of the Foundation's collection locations and performed the procedures noted below.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

**SOUTH LOUISIANA CHARTER FOUNDATION**  
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**JUNE 30, 2017**

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- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*No exceptions noted.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exceptions noted.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*Using the collection data, P&N determined the highest collection week during the year ending June 30, 2017 for each respective collection location and performed the procedures noted below.*

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

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*Cash collection deposits subject to procedures 6.c)1.i and 6.c)1.ii and results are as follows:*

	<i>Cash Collection Location</i>	<i>Name of Bank Account</i>	<i>Date of Deposit</i>	<i>Deposits made within 1 day of receipt</i>	<i>Number of days after receipt, if exceeding 1 day</i>	<i>Number of deposits without supporting documentation</i>
1	Iberville Charter	Internal	10/24/2016	no	10	0
2	Iberville Charter	Internal	10/26/2016	no	2	0
3	Iberville Charter	Internal	10/26/2016	no	2	0
4	Iberville Charter	Internal	10/26/2016	yes	n/a	0
5	Iberville Charter	Internal	10/26/2016	yes	n/a	0
6	Iberville Charter	Internal	10/26/2016	no	2	0
7	Iberville Charter	Internal	10/26/2016	no	2	0
8	Iberville Charter	Internal	10/26/2016	no	2	0
9	Iberville Charter	Operating	10/24/2016	no	7	0
10	Iberville Charter	Operating	10/27/2016	no	3	0
11	Iberville Charter	Operating	10/24/2016	no	7	0
12	Iberville Charter	Operating	10/27/2016	no	3	0
13	Mid-City Charter	Operating	5/10/2017	not provided	not provided	not provided
14	Mid-City Charter	Operating	5/11/2017	not provided	not provided	not provided
15	Mid-City Charter	Internal	5/8/2017	not provided	not provided	not provided
16	Mid-City Charter	Internal	5/8/2017	not provided	not provided	not provided
17	Mid-City Charter	Internal	5/11/2017	not provided	not provided	not provided
18	South Baton Rouge Charter	Internal	8/8/2016	not provided	not provided	not provided
19	South Baton Rouge Charter	Operating	8/8/2016	no	55	0

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, etc.) by a person who is not responsible for collections.

*No exceptions noted.*

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*P&N obtained the general ledger and sorted/filtered for the Foundation's disbursements. No exceptions were noted as a result of performing this procedure.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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*P&N haphazardly selected 25 disbursements and performed the procedures below.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*No exceptions noted.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions noted.*

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Of the 25 disbursements selected, 7 out of the 25 tested did not have evidence of approval on the invoice.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*No exceptions noted.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions noted.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*No exceptions noted.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*No exceptions noted.*

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JUNE 30, 2017**

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

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

*The Foundation does not use credit card/debit cards/fuel cards or P-cards. This section is not applicable.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and perform the procedures below.

- a) Report whether 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.

*Not applicable. See response in 14.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Not applicable. See response in 14.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 3 cards selected (i.e. each of the 3 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Not applicable. See response in 14.*

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- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Not applicable. See response in 14.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Not applicable. See response in 14.*

***Travel and Expense Reimbursement***

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*A listing of general ledger activity for all travel and related expenses reimbursements, by person, during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*No exceptions noted.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*No exceptions noted.*

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- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased.
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions noted.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions noted.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***Contracts***

---

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*A listing of general ledger activity for all in effect during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
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- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*None of the five tested were subject to bid law. No exceptions noted.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*The Foundation did solicit quotes for 3 out of the 5 contracts selected for testing.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*No exceptions noted.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions noted.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
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Schedule A

***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*A listing of employees was provided by management and a haphazard sample of five employees were selected for testing.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*For one of the five employees selected, documentation was not provided.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*For one of the five employees selected, documentation was not provided.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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 noted.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*For nine of the twenty-five employees selected, documentation was not provided.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*No exceptions noted.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
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Schedule A

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*For both employees selected, documentation was not provided.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*No exceptions noted.*

***Ethics***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*For 1 of the 5 employees selected, documentation or evidence that the required ethics training was completed could not be provided.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*No ethics violations were noted during the fiscal period. No exceptions noted.*

***Debt Service***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Not applicable.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable.*

**SOUTH LOUISIANA CHARTER FOUNDATION  
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JUNE 30, 2017**

Schedule A

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*None noted.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The Foundation has not posted on its premises or its website, the notice required by R.S. 24:523.1.*

33. 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 noted.*



**South Louisiana Charter**  
**FOUNDATION, INC.**

**Response to Exceptions in Statewide AUP Results**

We have done a preliminary review of the recommendations provided in the AUP results. Once a thorough review is completed, we will work towards implementing policies and procedures that will help prevent reoccurrence of these exceptions in future periods. It appears that a majority of the exceptions are related to document retention which will be a focus area. We will work toward improving the level of accountability and responsibility for retaining necessary documentation. Other areas will be addressed as outlined in the recommendations as well.

Signature: *Lindsey Lannon*

Title: Controller