
LAFAYETTE CHARTER FOUNDATION, INC.

LAFAYETTE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019

LAFAYETTE CHARTER FOUNDATION, INC.
LAFAYETTE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
Lafayette Charter Foundation, Inc.
Lafayette, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette Charter Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, Acadiana Renaissance Charter Academy statement of functional expenses, Lafayette Renaissance Charter Academy statement of functional expenses, and schedule of compensation, benefits and other payments to board president presented on pages 15-19, as well as the schedule of expenditures of federal awards presented on pages 24-25, as required by Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The performance and statistical data included on pages 36-38 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, a significant part of the Foundation's revenue is dependent upon Minimum Foundation Program (MFP) funding from the Louisiana Department of Education. The loss or significant reduction of state programs funding could have a material adverse effect on the Foundation's operations.

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 13, 2019

LAFAYETTE CHARTER FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS:

Cash	\$ 973,683
Cash - restricted	127,691
Grants receivable:	
Federal programs	255,908
Prepaid expenses and other	11,306
Total current assets	<u>1,368,588</u>

PROPERTY AND EQUIPMENT (NET):

20,633,949

Total assets

\$ 22,002,537

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	57,255
Accrued payroll and related expenses	634,580
Accrued other expenses	24,500
Due to other schools	2,752
Due to CSUSA	212,500
Deferred revenues	14,111
Accrued interest payable - short term portion	293,896
Capital lease payable - short term portion	359,767
Funds held in custody	127,691
Total current liabilities	<u>1,727,052</u>

LONG TERM LIABILITIES:

Accrued interest payable	8,399
Capital lease payable	24,830,394
Total long-term liabilities	<u>24,838,793</u>

NET DEFICIT:

Without donor restrictions	<u>(4,563,308)</u>
Total net deficit	<u>(4,563,308)</u>

Total liabilities and net deficit

\$ 22,002,537

The accompanying notes are an integral part of this financial statement.

LAFAYETTE CHARTER FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

Revenue, Grants and Other Support	
Minimum Foundation Program (MFP)	\$ 17,187,567
Federal grants	1,562,873
Paid meals	175,703
Before and aftercare fees	342,919
Other income	36,986
Total revenues and support without donor restrictions	<u>19,306,048</u>
Expenses:	
Program services:	
Regular education	12,828,841
Special education	2,176,075
Other education	212,792
Supporting services	
Management and general	<u>5,201,754</u>
Total expenses	<u>20,419,462</u>
Change in net assets	(1,113,414)
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(3,449,894)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (4,563,308)</u>

The accompanying notes are an integral part of this financial statement.

LAFAYETTE CHARTER FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 6,091,420	\$ 1,178,898	\$ 150,340	\$ 614,599	\$ 8,035,257
Benefits	1,094,548	203,555	18,531	119,992	1,436,626
Professional Services	3,190	320	-	105,734	109,244
Contracted/Vendor Services	673,150	294,339	-	1,697,407	2,664,896
Professional Development	56,139	5,639	-	-	61,778
Supplies/Materials	569,123	57,177	-	45,022	671,322
Utilities	329,235	33,076	-	10,630	372,941
Repairs and Maintenance	677,148	68,029	-	21,863	767,040
Insurance	135,962	13,660	-	4,556	154,178
Interest	-	-	-	2,410,085	2,410,085
Depreciation and amortization	1,551,839	155,906	-	50,105	1,757,850
School Board Fees	39,072	3,926	-	-	42,998
Travel	21,899	2,200	-	16,067	40,166
Marketing/Recruitment	28,191	2,832	-	841	31,864
Food Service	503,332	50,567	41,939	1,475	597,313
Technology	91,400	9,183	-	66,747	167,330
Office expense	63,723	6,402	-	22,118	92,243
Student Services	685,485	68,868	1,982	-	756,335
Property Tax	213,985	21,498	-	6,910	242,393
Other	-	-	-	7,603	7,603
	\$ 12,828,841	\$ 2,176,075	\$ 212,792	\$ 5,201,754	\$ 20,419,462

The accompanying notes are an integral part of this financial statement.

LAFAYETTE CHARTER FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (1,113,414)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,757,850
Decrease (increase) in:	
Federal programs receivables	62,824
Prepaid expenses and other	33,884
Increase (decrease) in:	
Accounts payable	(9,764)
Accrued payroll and related expenses	39,895
Accrued other expenses	10,067
Due to other schools	1,848
Due to agency fund	(2,824)
Due to CSUSA	(5,666)
Funds held in custody	1,928
<u>Net cash provided by operating activities</u>	<u>776,628</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	<u>(755,526)</u>
<u>Net cash used in investing activities</u>	<u>(755,526)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital leases	(288,510)
Interest on capital leases	(393,749)
Proceeds from notes payable	<u>285,184</u>
<u>Net cash used in financing activities</u>	<u>(397,075)</u>

Net decrease in cash	(375,973)
Beginning cash balance	<u>1,477,347</u>
Ending cash balance	<u>\$ 1,101,374</u>

Supplemental disclosure of cash flow information

Interest paid	<u>\$ 3,197,583</u>
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Supplemental schedule of noncash financing activities

Capital lease obligation incurred for use of building and equipment	<u>\$ 285,184</u>
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Reconciliation of cash balances

Cash	\$ 973,683
Cash - restricted	<u>127,691</u>
Ending cash balance	<u>\$ 1,101,374</u>

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

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lafayette 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 2018-2019 school year, the Foundation operated two elementary schools, Acadiana Renaissance Charter Academy (Acadiana) and Lafayette Renaissance Charter Academy (Lafayette), under Type 2 charter agreements pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Elementary and Secondary Education (BESE). The charter agreement for Lafayette Renaissance Charter Academy will terminate on June 30, 2024, and the charter agreement for Acadiana Renaissance Charter Academy will terminate on June 30, 2025, unless renewed at the discretion of BESE. Collectively, the schools had enrollment of approximately 1,810 students for the 2018-2019 school year.

New Accounting Pronouncement

The Foundation adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Foundation has no net assets with donor restrictions for the year ended June 30, 2019.

Functional Allocation of Expenses by Nature and Class

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statement of functional expenses by nature and class. Accordingly, certain costs have been allocated between program services and management and general services benefited. Such allocations are determined by management on an equitable basis.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses by Nature and Class (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Enrollment, square footage, time and effort
Benefits	Enrollment, square footage, time and effort
Professional services	Time and effort
Contracted/vendor services	Enrollment
Professional development	Enrollment
Supplies/materials	Enrollment, square footage, time and effort
Utilities	Square footage
Repairs and maintenance	Square footage
Insurance	Square footage, time and effort
Depreciation and amortization	Square footage
School board fees	Enrollment
Travel	Enrollment, time and effort
Marketing/recruitment	Enrollment, square footage
Food service	Enrollment, time and effort
Technology	Square footage, time and effort
Office expense	Enrollment, square footage
Student services	Enrollment
Property tax	Enrollment, square footage

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. Significant estimates have been applied in the determination of depreciation in the preparation of the accompanying financial statements. 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.

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 has concluded that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2019.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 without donor restrictions as to use. A substantial portion of federal grants are expenditure driven and as such is classified as without donor restrictions 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 without donor restrictions or with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions whose donor restrictions are met in the same reporting period are reported as without donor restrictions.

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, 2019, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$911,700. Management, however, believes the credit risk associated with these deposits is minimal. Restricted cash represents amounts held by the Foundation for the Agency fund.

Advertising

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$29,504 during the fiscal year ended June 30, 2019.

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 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, 2019.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status (continued)

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.

Accounting Changes

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 June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for annual 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, 2020.

The Foundation is currently assessing the impact of these pronouncements on the financial statements.

2. Liquidity and Availability

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Financial assets at year end:		
Cash and cash equivalents	\$	973,683
Grants receivable		<u>255,908</u>
Financial assets available to meet general expenditures over the next twelve months	\$	1,229,591

See Note 7 for the terms of the management agreement with CSUSA that can provide additional liquidity to the Foundation.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

3. GRANTS RECEIVABLE

Receivables due from other governmental agencies at June 30, 2019 consists of \$171,817, 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 \$84,091 was due from the U.S. Department of Agriculture through the Louisiana Department of Education under the National School Lunch Program.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2019:

Buildings and leasehold improvements	\$ 25,960,943
Furniture & fixtures	1,253,664
Equipment and software	<u>2,530,567</u>
Total Cost	\$ 29,745,174
Less: Accumulated Depreciation	<u>(9,111,225)</u>
Total Property and Equipment	<u>\$ 20,633,949</u>

Depreciation expense for the year ending June 30, 2019, was \$1,757,850.

5. 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.

6. CONCENTRATION OF SUPPORT

The Foundation received 89.03% of its support from the MFP and 8.10% of its support from federal grants passed through the Louisiana Department of Education. The loss or significant reduction of state and federal funding could have a material adverse effect on the Foundation's operations.

7. 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 cost reimbursements and a management fee 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. The management agreement allows for CSUSA to make operating advances to the Foundation in the event there are not sufficient funds in the operating account to pay operating expenses. The Foundation's management fees were reduced by \$457,720 for the year ended June 30, 2019.

At June 30, 2019, the Foundation owed CSUSA \$1,108,125 related to operation and trade payables. These amounts have been netted against amounts to the Foundation from CSUSA of \$895,625. The net amount of \$212,500 is reflected as amounts due to CSUSA in the statement of financial position.

For the year ended June 30, 2019, the amount of compensation paid to CSUSA totaled \$2,438,186 for operating the schools as well as the aftercare programs. These amounts are included in the statement of activities and changes in net assets in supporting services.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASE

The Foundation has entered into 20-year capital lease agreements for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Effective July 1, 2017, there was a lease incentive provided to the schools which resulted in a reassessment of the lease agreement. The result of the reassessment is an updated interest rate for the lease at the date of reassessment on the basis of the remaining lease term and remaining payments. Interest on the lease was originally 9.818% and changed to 9.025%. Principal payments, which commenced on December 1, 2017, per the original lease, changed to commence on July 1, 2020. The reassessment of the lease agreement resulted in a decrease in payments of \$580,585, which was paid to the Foundation in October 2018. The lease agreements expire on June 1, 2034.

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 this lease. Accrued interest payable related to these capital leases in the amount of \$302,295 was outstanding at June 30, 2019.

The Foundation has also entered into capital equipment lease agreements for each of the schools which expire on 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 future minimum lease payments under these capital lease obligations as of June 30, 2019, are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 3,013,498
2021	3,026,092
2022	3,009,058
2023	3,033,492
2024	3,078,996
Thereafter	<u>33,447,958</u>
Total minimum lease payments	48,609,094
Less: amounts representing interest	<u>(23,418,933)</u>
 Present value of minimum lease payments	 \$ 25,190,161
Less: current portion	<u>(359,767)</u>
Capital lease payable – long term	<u>\$ 24,830,394</u>

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL GRANTS

The Foundation received federal assistance from the following programs for the year ended June 30, 2019, which were all passed through the Louisiana Department of Education.

US Department of Education	
Title I	\$ 758,687
Title II	23,843
IDEA and Preschool Grants	<u>301,843</u>
	<u>1,084,373</u>
US Department of Agriculture	
National School Lunch and Breakfast Program	<u>478,500</u>
Total	\$ <u>1,562,873</u>

10. 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, 2019.

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. 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. The District Court ruled in favor of BESE and LDOE. The Louisiana Supreme Court upheld the District Court ruling in favor of BESE and LDOE which dismissed the constitution challenge to funding New Type 2 charter schools. This lawsuit is concluded.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2019, and determined that the following event requires disclosure. On August 30, 2019, the Foundation entered into a capital lease agreement for property for the expansion of the Acadiana campus. The lease shall commence on August 1, 2020 for a term of twenty years. The lease is held by an affiliate of CSUSA. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

LAFAYETTE CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	<u>Acadiana</u>	<u>Lafayette</u>	<u>Eliminating Entries</u>	<u>Combined</u>
CURRENT ASSETS:				
Cash	\$ 327,356	\$ 646,327	\$ -	\$ 973,683
Cash - restricted	16,253	111,438	-	127,691
Grants receivable:				
Federal programs	64,092	191,816	-	255,908
Prepaid expenses and other	3,741	7,565	-	11,306
Total current assets	<u>411,442</u>	<u>957,146</u>	<u>-</u>	<u>1,368,588</u>
PROPERTY AND EQUIPMENT (NET):	<u>10,784,854</u>	<u>9,849,095</u>	<u>-</u>	<u>20,633,949</u>
Total assets	<u>\$ 11,196,296</u>	<u>\$ 10,806,241</u>	<u>\$ -</u>	<u>\$ 22,002,537</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 10,840	\$ 46,415	\$ -	\$ 57,255
Accrued payroll and related expenses	312,764	321,816	-	634,580
Accrued other expenses	17,244	7,256	-	24,500
Due to other schools	1,126	1,626	-	2,752
Due to (from) CSUSA	(230,378)	442,878	-	212,500
Deferred revenues	356	13,755	-	14,111
Accrued interest payable - short term portion	-	293,896	-	293,896
Capital lease payable - short term portion	327,109	32,658	-	359,767
Funds held in custody	16,253	111,438	-	127,691
Total current liabilities	<u>455,314</u>	<u>1,271,738</u>	<u>-</u>	<u>1,727,052</u>
LONG TERM LIABILITIES:				
Accrued interest payable	-	8,399	-	8,399
Capital lease payable	12,351,065	12,479,329	-	24,830,394
Total long-term liabilities	<u>12,351,065</u>	<u>12,487,728</u>	<u>-</u>	<u>24,838,793</u>
NET DEFICIT:				
Without donor restrictions	<u>(1,610,083)</u>	<u>(2,953,225)</u>	<u>-</u>	<u>(4,563,308)</u>
Total net deficit	<u>(1,610,083)</u>	<u>(2,953,225)</u>	<u>-</u>	<u>(4,563,308)</u>
Total liabilities and net deficit	<u>\$ 11,196,296</u>	<u>\$ 10,806,241</u>	<u>\$ -</u>	<u>\$ 22,002,537</u>

See independent auditors' report.

LAFAYETTE CHARTER FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Acadiana</u>	<u>Lafayette</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Revenue, Grants and Other Support				
Minimum Foundation Program (MFP)	\$ 8,420,731	\$ 8,766,836	\$ -	\$ 17,187,567
Federal grants	568,407	994,466	-	1,562,873
Paid meals	134,331	41,372	-	175,703
Before and aftercare fees	199,009	143,910	-	342,919
Other income	26,763	10,223	-	36,986
Total revenue, grants, and other support without donor restrictions	<u>9,349,241</u>	<u>9,956,807</u>	<u>-</u>	<u>19,306,048</u>
Expenses:				
Program services:				
Regular education	6,110,046	6,718,795	-	12,828,841
Special education	1,083,311	1,092,764	-	2,176,075
Other education	106,686	106,106	-	212,792
Supporting services				
Management and general	<u>2,814,744</u>	<u>2,387,010</u>	<u>-</u>	<u>5,201,754</u>
Total expenses	<u>10,114,787</u>	<u>10,304,675</u>	<u>-</u>	<u>20,419,462</u>
Change in net assets	(765,546)	(347,868)	-	(1,113,414)
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(844,537)</u>	<u>(2,605,357)</u>	<u>-</u>	<u>(3,449,894)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (1,610,083)</u>	<u>\$ (2,953,225)</u>	<u>\$ -</u>	<u>\$ (4,563,308)</u>

See independent auditors' report.

LAFAYETTE CHARTER FOUNDATION, INC.
ACADIANA RENAISSANCE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Management & General</u>	
Salaries	\$ 2,898,602	\$ 582,732	\$ 82,984	\$ 297,199	\$ 3,861,517
Benefits	534,382	109,118	10,042	60,780	714,322
Professional Services	1,672	168	-	51,432	53,272
Contracted/Vendor Services	330,946	155,758	-	1,038,190	1,524,894
Professional Development	12,477	1,253	-	-	13,730
Supplies/Materials	305,174	30,659	-	25,148	360,981
Utilities	174,991	17,580	-	5,650	198,221
Repairs and Maintenance	344,063	34,566	-	11,109	389,738
Insurance	71,845	7,218	-	2,404	81,467
Interest	-	-	-	1,240,705	1,240,705
Depreciation and amortization	796,461	80,017	-	25,716	902,194
School Board Fees	19,228	1,932	-	-	21,160
Travel	6,636	667	-	4,869	12,172
Marketing/Recruitment	10,774	1,082	-	313	12,169
Food Service	207,025	20,799	12,441	620	240,885
Technology	45,877	4,609	-	33,658	84,144
Office expense	26,813	2,694	-	11,774	41,281
Student Services	221,057	22,209	1,219	-	244,485
Property Tax	102,023	10,250	-	3,294	115,567
Other	-	-	-	1,883	1,883
	<u>\$ 6,110,046</u>	<u>\$ 1,083,311</u>	<u>\$ 106,686</u>	<u>\$ 2,814,744</u>	<u>\$ 10,114,787</u>

See independent auditors' report.

LAFAYETTE CHARTER FOUNDATION, INC.
LAFAYETTE RENAISSANCE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 3,192,818	\$ 596,166	\$ 67,356	\$ 317,400	\$ 4,173,740
Benefits	560,166	94,437	8,489	59,212	722,304
Professional Services	1,518	152	-	54,302	55,972
Contracted/Vendor Services	342,204	138,581	-	659,217	1,140,002
Professional Development	43,662	4,386	-	-	48,048
Supplies/Materials	263,949	26,518	-	19,874	310,341
Utilities	154,244	15,496	-	4,980	174,720
Repairs and Maintenance	333,085	33,463	-	10,754	377,302
Insurance	64,117	6,442	-	2,152	72,711
Interest	-	-	-	1,169,380	1,169,380
Depreciation and amortization	755,378	75,889	-	24,389	855,656
School Board Fees	19,844	1,994	-	-	21,838
Travel	15,263	1,533	-	11,198	27,994
Marketing/Recruitment	17,417	1,750	-	528	19,695
Food Service	296,307	29,768	29,498	855	356,428
Technology	45,523	4,574	-	33,089	83,186
Office expense	36,910	3,708	-	10,344	50,962
Student Services	464,428	46,659	763	-	511,850
Property Tax	111,962	11,248	-	3,616	126,826
Other	-	-	-	5,720	5,720
	<u>\$ 6,718,795</u>	<u>\$ 1,092,764</u>	<u>\$ 106,106</u>	<u>\$ 2,387,010</u>	<u>\$ 10,304,675</u>

See independent auditors' report.

LAFAYETTE CHARTER FOUNDATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO BOARD PRESIDENT
FOR THE YEAR ENDED JUNE 30, 2019

Board President, Dr. Mary Louella Riggs-Clark

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

See independent auditors' report.

**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
Lafayette Charter Foundation, Inc.
Lafayette, 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 Lafayette Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 13, 2019

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

To the Board of Directors for
Lafayette Charter Foundation, Inc.
Lafayette, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Lafayette Charter Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Each Major Federal Program

In our opinion, Lafayette Charter 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, 2019.

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 a 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 13, 2019

LAFAYETTE CHARTER FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>CFDA Number</u>	<u>Expenditures 2019</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 18/19	10.555 ¹	\$ 413,657
National School Breakfast Program	LDE - 18/19	10.553 ¹	64,843
Total US Department of Agriculture			<u>478,500</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-19-T1-L8	84.010A	758,687
Special Education, IDEA	28-19-B1-L8	84.027A ²	301,333
Special Education, Preschool Grants	28-19-P1-L8	84.173 ²	510
Title II - Part A, Teacher & Principal Training & Recruiting	29-19-50-L8	84.367A	23,843
Total US Department of Education			<u>1,084,373</u>
Total Expenditures			<u>\$ 1,562,873</u>

¹ Child nutrition cluster - \$478,500

² Special education cluster - \$301,843

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

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

LAFAYETTE CHARTER FOUNDATION, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lafayette 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, 2019, the Lafayette Charter Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2018 – 01) 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 2 out of a sample of 40 cash deposits selected for testing, each of the Foundation’s schools were unable to locate all deposit information.

In 2 out of a sample of 40 cash deposits selected for testing, the teacher collection log and receipts did not agree to the Daily Cash Receipts Reconciliation.

Cause: Lack of adequate record keeping has resulted in poorly maintained documentation related to school deposits.

Effect: Without the operation of 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: No.

View of Responsible Official:

School administrators are aware that record retention is an issue and must be corrected. Policies and procedures are being reviewed to determine what needs to be in place to ensure proper record keeping. Leadership will work with school administrators to ensure existing and new policies are enforced so documentation is available when requested. Management will continue to remind the school of the importance of proper recordkeeping.

Current status: Resolved.

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2018 – 02)	Approval of Pay Rates & Adequate Record Keeping
<u>Criteria:</u>	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.
<u>Condition:</u>	In 1 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. For 2 out of a sample of 40 employees selected for testing, documentation of pay and position was unable to be provided. For 2 out of a sample of 40 employees selected for testing, the employee's position did not agree with the fund and account charged.
<u>Cause:</u>	Lack of adequate record keeping has resulted in poorly maintained documentation related to payroll and approval of pay rates.
<u>Effect:</u>	Maintaining pay rate authorization and associated payroll documentation in the employee personnel files is an important control against unauthorized changes in pay rates.
<u>Recommendation:</u>	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.
<u>Repeat Finding:</u>	No

View of Responsible Official:

Proper employee documentation is collected at the date of hire, but proper policies for record retention were not followed resulting in the inability to produce the documents on request. School administrators are aware that record retention is an issue and must be corrected. Policies and procedures are being reviewed to determine what needs to be in place to ensure proper record keeping. Leadership will work with school administrators to ensure existing and new policies are enforced so documentation is available when requested. Management will continue to remind the school of the importance of proper recordkeeping.

Current status: Resolved.

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2018 – 03) Equipment and Real Property Management – Physical Inventory Counts

CFDA #84.010 Title I Grants to Local Educational Agencies

Questioned Costs: None

Criteria: Under the compliance requirements of the program, a physical inventory of equipment purchased with federal awards is to be taken at least once every two years and reconciled to the equipment records. Additionally, schools are responsible for conducting an annual inventory of assets under current established policy of Charter Schools USA.

Universe/
Population Size: Not applicable.

Sample Size: Not applicable.

Condition(s): Schools did not have written evidence of the annual inventory counts during the fiscal year in accordance with current established policy or the compliance requirements of the program.

Cause: While there is a system in place to identify equipment purchased with federal dollars, there is no established policy to ensure the inventory counts are performed in accordance with the compliance requirements of the program or established school policy.

Effect: Lafayette Charter Foundation schools are not in compliance with the requirement to conduct an inventory of assets. Without timely inventory counts there is an opportunity for misappropriation of assets and opportunity for inventory records to be inaccurate.

Recommendation: The Lafayette Charter Foundation should establish policies to ensure inventory counts are performed at least once every two years in accordance with Uniform Guidance and annually in accordance with current Charter Schools USA policy.

Repeat Finding: No.

View of Responsible Official:

Effective immediately, Lafayette Charter Foundation schools will establish policies to ensure inventory counts are performed at least once every two years in accordance with Uniform Guidance and annually in accordance with current Charter Schools USA policy.

Current status: Resolved.

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

2018 – 04) Reporting – Internal Controls

CFDA #84.010 Title I Grants to Local Educational Agencies

Questioned Costs: None.

Criteria: In accordance with grant terms, funds passed through from the Louisiana Department of Education (LDOE) are received on a reimbursement-basis. All expenses must be incurred prior to the request for funding, and the Foundation is required to maintain documentary evidence that supports the reimbursement requests.

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 Grant Coordinator prepares reimbursement requests from system data that supports Title I expenditures for the period. However, there is no policy in place to perform and document review of the reimbursement requests, by someone other than the preparer, before submission to ensure accuracy of the reimbursement request or reporting of expenditures in the proper categories.

Cause: Management does not have a documented process for a detailed review and approval of reimbursement requests prior to submission.

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

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

LAFAYETTE CHARTER FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

2018 – 04) Reporting – Internal Controls (continued)

CFDA #84.010 Title I Grants to Local Educational Agencies (continued)

Repeat Finding: No.

View of Responsible Official:

Effective immediately, Lafayette Charter Foundation schools will develop and implement policies and procedures requiring documented evidence of review over all reporting requirements, specifically reimbursement requests, to ensure that all reports required by the grant terms are reviewed and approved prior to submission.

Current status: Resolved.

**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

To the Members of the
Lafayette Charter Foundation,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Lafayette Charter Foundation, the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Lafayette Charter Foundation for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514 I. Management of the Lafayette Charter Foundation is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

Of the 10 classes selected for Acadiana Renaissance Charter Academy, we noted discrepancies in the number of students in two classes.

Number of Students Reported	Roll Book Counts	Difference
25	24	1
23	24	(1)

Of the 10 classes selected for Lafayette Renaissance Charter Academy, we noted discrepancies in the number of students in eight classes.

Number of Students Reported	Roll Book Counts	Difference
24	23	1
27	26	1
24	23	1
29	26	3
26	19	7
21	20	1
26	8	18

Education Level of Public School Staff (NO SCHEDULE)

- We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education. 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 PEP data (or equivalent listing prepared by management).

For 12 out of 25 classroom teachers selected for testing, years of experience per personnel file did not agree to the PEP data submitted. For 1 out of the 25 classroom teachers selected for testing, education level per personnel file did not agree to PEP data submitted.



Postlethwaite & Netterville

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (NO SCHEDULE)

4. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), of full-time teachers, principals, and assistant principals by classification. We traced the same sample used in procedure 3 to the individual's personnel file and determined if the individual's experience was properly classified on the PEP data (or equivalent listing prepared by management).

No exceptions noted.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

No exceptions 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.

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

Postlethwaite & Netterville

Baton Rouge, Louisiana

December 13, 2019

LAFAYETTE CHARTER FOUNDATION
LAFAYETTE, LOUISIANA

Supplemental Schedules on Performance and Statistical Data Required by State Law
As of and for the Year Ended June 30, 2019

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

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

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

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

LAFAYETTE CHARTER FOUNDATION, INC.
Lafayette, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2019

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 5,958,246	
Other Instructional Staff Activities	424,505	
Instructional Staff Employee Benefits	1,224,391	
Purchased Professional and Technical Services	366,552	
Instructional Materials and Supplies	434,533	
Instructional Equipment	517,646	
Total Teacher and Student Interaction Activities		8,925,873
Other Instructional Activities		477,646
Pupil Support Activities	296,605	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		296,605
Instructional Staff Services	747,622	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		747,622
School Administration	1,038,418	
Less: Equipment for School Administration	-	
Net School Administration		1,038,418
Total General Fund Instructional Expenditures (Total of Column B)		<u>11,486,164</u>
Total General Fund Equipment Expenditures	\$ 517,646	

Certain Local Revenue Sources

Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Penalty and Interest on Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Sales and Use Tax Penalty and Interest		-
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.

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

Class Size Characteristics
As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	24.79%	29	41.95%	112	0.00%	0	0.00%	-
Elementary Activity Classes	25.64%	30	31.84%	85	78.95%	15	0.00%	-
Middle/Jr. High	17.95%	21	22.47%	60	0.00%	0	0.00%	-
Middle/Jr. High Activity Classes	31.62%	37	3.75%	10	21.05%	4	0.00%	-
High	0.00%	-	0.00%	-	0.00%	-	0.00%	-
High Activity Classes	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Combination	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Combination Activity Classes	0.00%	-	0.00%	-	0.00%	-	0.00%	-

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 for grades K-3 is 26 students and the maximum enrollment for 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.

Lafayette Charter FOUNDATION

www.LafayetteCharterFoundation.org

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Responses to differences notated in BESE AUPs

Schedule 2 – Of the 10 classes selected at Acadiana Renaissance Charter Academy and of the 10 classes selected at Lafayette Renaissance Charter Academy, we noted a discrepancy in the number of students in 9 classes.

Response: The foundation and management will discuss with the appropriate personnel at each school of the importance of the accuracy of these schedules as well as the need to retain all supporting documentation. As we move forward, we will provide whatever training and assistance that may be needed to ensure that these issues are being corrected for future schedules.

Education Level of Public School Staff – Of the 25 classroom teachers selected for years of experience testing, the personnel file did not agree to the PEP data submitted for 12 teachers. Of the 25 classroom teachers selected for education level testing, the personnel file did not agree to the PEP data submitted for 1 teacher.

Response: The foundation and management will discuss with the appropriate personnel at each school of the importance of retaining supporting documentation and of the accuracy of the data that is submitted on the PEP report for both years of experience and education level. We will take steps to ensure that these issues are corrected for future periods.

Signature: Mark W. Gambel Title: State Financial Director

LAFAYETTE CHARTER FOUNDATION

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

FOR THE YEAR ENDED JUNE 30, 2019

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Management's Response and Corrective Action Plan	

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the board of Lafayette Charter Foundation (the Board) 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, 2018 through June 30, 2019. 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 below either for the purpose for which this report has been requested or for any other purpose.

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. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

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.



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

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

- 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 ethics 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) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable to the Foundation.

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

The Foundation does not have written policies and procedures related to Disaster Recovery/Business Continuity as of or for the year ended June 30, 2019. Policies and procedures were adopted by the foundation subsequent to year end on August 23, 2019.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

For one out of twelve months, the board met, but quorum was not established.

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

No exceptions noted.

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

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

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We selected all two of the Foundation's collection locations and performed the procedures noted below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

We selected both collection locations for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.



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- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

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

The Entity stated that all employees who have access to cash are not bonded and/or covered under an insurance policy.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We selected two deposit dates for each of the 5 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

For 3 of 10 collections tested, we noted deposit was made after one business day of receipt.

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

No exceptions noted.

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

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

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

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Not applicable. See response in step 11.

- b) Observe that finance charges and late fees were not assessed on the selected statements.
Not applicable. See response in step 11.

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

Not applicable. See response in step 11.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted that there were no misappropriations of public funds or assets during the fiscal year.

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

No exceptions noted.

Corrective Action

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attached.

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 LLA as a public document.

Sincerely,

Postlethwaite & Netterville

December 13, 2019

Lafayette Charter FOUNDATION

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Trustees

Erica Williams

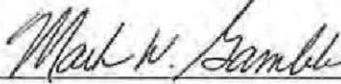
Dr. Nancy Gomez

Jared Labue

Nick Pugh

Response to Exceptions in Statewide AUP Results

We have done a preliminary review of the recommendations provided in the AUP results. We are in agreement with the report as provided by Postlethwaite & Netterville. Lafayette Charter Foundation will add policies and procedures and implement changes where necessary to meet the expectations identified in the report.

Signature:  Title: State Financial Director