
LAFAYETTE CHARTER FOUNDATION, INC.

LAFAYETTE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

LAFAYETTE CHARTER FOUNDATION, INC.

LAFAYETTE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2017

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A Professional Accounting Corporation

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, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.



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Opinion

In our opinion, the financial statements referred to on the previous page presents fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, and schedule of compensation, benefits and other payments to board president presented on pages 12-14, as well as the schedule of expenditures of federal awards presented on pages 19-20, 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 31-40 are presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2017

LAFAYETTE CHARTER FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash	\$ 2,096,156
Cash - restricted	121,324
Grants receivable:	
Federal programs	197,089
Due from other schools	659
Due from CSUSA affiliate	2,124
Prepaid expenses and other	75,081
Total current assets	<u>2,492,433</u>

PROPERTY AND EQUIPMENT (NET):

22,962,834

Total assets

\$ 25,455,267

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	45,781
Accrued payroll and related expenses	683,278
Accrued other expenses	18,045
Due to other schools	7,123
Due to CSUSA	1,029,518
Deferred revenues	16,349
Accrued interest payable - short term portion	160,976
Capital lease payable - short term portion	785,903
Funds held in custody	121,324
Total current liabilities	<u>2,868,297</u>

LONG TERM LIABILITIES:

Accrued interest payable	145,340
Capital lease payable	25,105,572
Total long-term liabilities	<u>25,250,912</u>

NET DEFICIT:

Unrestricted	<u>(2,663,942)</u>
Total net deficit	<u>(2,663,942)</u>

Total liabilities and net deficit

\$ 25,455,267

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

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

Revenue, Grants and Other Support	
Minimum Foundation Program (MFP)	\$ 15,318,126
Federal grants	1,046,693
Paid meals	95,051
Before and aftercare fees	378,066
E-rate revenues	34,120
Other income	16,942
Total unrestricted revenues and support	<u>16,888,998</u>
Expenses:	
Program services:	
Instructional - regular education programs	7,127,051
Pupil support services	682,406
Instructional staff support services	104,614
School administration	1,171,283
Operation and maintenance of plant services	3,344,636
Food services	609,873
Non-instructional expense	161,964
Management and general	
Business services	2,345,888
Central services	94,510
Debt service	<u>2,691,381</u>
Total expenses	<u>18,333,606</u>
Change in net assets	(1,444,608)
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(1,219,334)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (2,663,942)</u>

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

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (1,444,608)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,174,707
Decrease (increase) in:	
Federal programs receivables	2,310
Due from CSUSA affiliate	1,757
Prepaid expenses and other	82,418
Increase (decrease) in:	
Accounts payable	(47,810)
Accrued payroll and related expenses	41,010
Accrued other expenses	(1,995)
Due to other schools	6,952
Due to CSUSA	638,760
Funds held in custody	9,348
	1,462,849
Net cash provided by operating activities	1,462,849

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	(467,057)
Net cash used in investing activities	(467,057)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital leases	(584,860)
Accrued interest on capital leases	(122,773)
Net cash used in financing activities	(707,633)

Net increase in cash	288,159
Beginning cash balance	1,929,321
Ending cash balance	\$ 2,217,480

Supplemental disclosure of cash flow information

Interest paid	\$ 2,936,926
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Reconciliation of cash balances

Cash	\$ 2,096,156
Cash - restricted	121,324
Ending cash balance	\$ 2,217,480

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

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 2016-2017 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 agreements will terminate on June 30, 2018, unless extended for a maximum initial term of five years, contingent upon the results of a review conducted after the completion of the third year of operation. Collectively, the schools had enrollment of approximately 1,660 students for the 2016-2017 school year.

Financial Statement Presentation

The Foundation follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

The Foundation also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

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

Functional Expenses

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

Use of Estimates

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

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2017.

Public Support and Revenue Recognition

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

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

Cash

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2017, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$1,996,000. Management, however, believes the credit risk associated with these deposits is minimal.

Advertising

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$61,796 during the fiscal year ended June 30, 2017.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Tax Exempt Status

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

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

Accounting Changes

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Foundation is currently assessing the impact of this pronouncement on the financial statements.

2. GRANTS RECEIVABLE

Receivables due from other governmental agencies at June 30, 2017 consists of \$148,283, 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 \$48,806 was due from the U.S. Department of Agriculture through the Louisiana Department of Education under the National School Lunch Program.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

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

Buildings and leasehold improvements	\$ 25,666,449
Furniture & fixtures	1,130,462
Equipment and software	<u>1,747,851</u>
Total Cost	\$ 28,544,762
Less: Accumulated Depreciation	<u>(5,581,928)</u>
Total Property and Equipment	<u>\$ 22,962,834</u>

Depreciation expense for the year ending June 30, 2017, was \$2,174,707 and is included in operation and maintenance of plant services.

4. FUNDS HELD IN CUSTODY

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

5. CONCENTRATION OF SUPPORT

The Foundation received 90.7% of its support from the MFP and 6.2% of its support from federal grants passed through the Louisiana Department of Education.

6. COMMITMENTS

The Foundation has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff, and operate the School. The agreement states that CSUSA shall be entitled to 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.

At June 30, 2017, the Foundation owed CSUSA \$1,178,232 for operating advances and trade payables for other invoiced services provided under the terms of the management agreement. These amounts have been netted against amounts owed to the Foundation by CSUSA of \$148,714 related to miscellaneous credits and rebates. The net amount of \$1,029,518 is reflected as amounts due to CSUSA in the statement of financial position.

For the year ended June 30, 2017, the amount of compensation paid to CSUSA totaled \$2,286,814 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 business services.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

7. 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. 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 schedules due date. No security deposit was required upon execution of this lease. Accrued interest payable related to these capital leases in the amount of \$306,316 was outstanding at June 30, 2017.

The Foundation has also entered into capital equipment lease agreements for each of the schools which expire on June 30, 2018. 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, 2017, are as follows:

Year ending June 30,	Amount
2018	\$ 3,440,564
2019	2,894,910
2020	2,934,720
2021	2,944,500
2022	2,988,660
Thereafter	39,560,448
Total minimum lease payments	54,763,802
Less: amounts representing interest	(28,872,327)
Present value of minimum lease payments	\$ 25,891,475
Less: current portion	(785,903)
Capital lease payable – long term	\$ 25,105,572

8. FEDERAL GRANTS

The Foundation received federal assistance from the U.S. Department of Education for the Title I program, Title II program, and IDEA program passed through the Louisiana Department of Education which totaled \$389,646, \$32,935, and \$199,653, respectively. In addition, the Foundation received \$424,459 from the U.S. Department of Agriculture passed through the Louisiana Department of Education under the National School Lunch Program.

LAFAYETTE CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

9. CONTINGENT LIABILITIES

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

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

In September 2014, the Iberville Parish School Board and the Louisiana Association of Educators filed separate lawsuits against Louisiana Board of Elementary and Secondary Education (BESE) and the Louisiana Department of Education (LDOE) challenging the constitutionality of the state's ability to use the MFP to fund Type 1B and all Type 2 charter schools. The District Court ruled in favor of BESE and LDOE. An appeal is pending. While these lawsuits may threaten the current funding mechanism for Type 2 charter schools, including Acadiana and Lafayette. The Foundation is uncertain of the ultimate outcome of the lawsuits and no amounts are recorded in the financial statements relating to the lawsuits.

10. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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

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

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

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 29, 2017 and determined that no events occurred that require disclosure. 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, 2017

<u>ASSETS</u>	<u>Acadiana</u>	<u>Lafayette</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>CURRENT ASSETS:</u>				
Cash	\$ 1,028,622	\$ 1,067,534	\$ -	\$ 2,096,156
Cash - restricted	23,032	98,292	-	121,324
Grants receivable:				
Federal programs	84,059	113,030	-	197,089
Due from other schools	168,802	-	(168,143)	659
Due to CSUSA affiliate	2,124	-	-	2,124
Prepaid expenses and other	63,021	12,060	-	75,081
Total current assets	<u>1,369,660</u>	<u>1,290,916</u>	<u>(168,143)</u>	<u>2,492,433</u>
<u>PROPERTY AND EQUIPMENT (NET):</u>				
	<u>11,838,478</u>	<u>11,124,356</u>	<u>-</u>	<u>22,962,834</u>
Total assets	<u>\$ 13,208,138</u>	<u>\$ 12,415,272</u>	<u>\$ (168,143)</u>	<u>\$ 25,455,267</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	17,791	27,990	-	45,781
Accrued payroll and related expenses	366,895	316,383	-	683,278
Accrued other expenses	11,099	6,946	-	18,045
Due to other schools	3,561	171,705	(168,143)	7,123
Due to CSUSA	351,157	678,361	-	1,029,518
Deferred revenues	174	16,175	-	16,349
Accrued interest payable - short term portion	81,865	79,111	-	160,976
Capital lease payable - short term portion	404,807	381,096	-	785,903
Funds held in custody	23,032	98,292	-	121,324
Total current liabilities	<u>1,260,381</u>	<u>1,776,059</u>	<u>(168,143)</u>	<u>2,868,297</u>
<u>LONG TERM LIABILITIES:</u>				
Accrued interest payable	79,524	65,816	-	145,340
Capital lease payable	12,648,840	12,456,732	-	25,105,572
Total long-term liabilities	<u>12,728,364</u>	<u>12,522,548</u>	<u>-</u>	<u>25,250,912</u>
<u>NET DEFICIT:</u>				
Unrestricted	<u>(780,607)</u>	<u>(1,883,335)</u>	<u>-</u>	<u>(2,663,942)</u>
Total net deficit	<u>(780,607)</u>	<u>(1,883,335)</u>	<u>-</u>	<u>(2,663,942)</u>
Total liabilities and net deficit	<u>\$ 13,208,138</u>	<u>\$ 12,415,272</u>	<u>\$ (168,143)</u>	<u>\$ 25,455,267</u>

See independent auditors' report.

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

	<u>Acadiana</u>	<u>Lafayette</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Revenue, Grants and Other Support				
Minimum Foundation Program (MFP)	\$ 8,190,628	\$ 7,127,498	\$ -	\$ 15,318,126
Federal grants	432,485	614,208	-	1,046,693
Paid meals	71,604	23,447	-	95,051
Before and aftercare fees	229,576	148,490	-	378,066
E-rate revenues	18,230	15,890	-	34,120
Other income	15,930	1,012	-	16,942
Total unrestricted revenues and support	<u>8,958,453</u>	<u>7,930,545</u>	<u>-</u>	<u>16,888,998</u>
Expenses:				
Program services:				
Instructional - regular education programs	3,749,987	3,377,064	-	7,127,051
Pupil support services	280,290	402,116	-	682,406
Instructional staff support services	46,355	58,259	-	104,614
School administration	656,286	514,997	-	1,171,283
Operation and maintenance of plant services	1,696,856	1,647,780	-	3,344,636
Food services	296,347	313,526	-	609,873
Non-instructional expense	94,679	67,285	-	161,964
Management and general				
Business services	1,344,315	1,001,573	-	2,345,888
Central services	49,641	44,869	-	94,510
Debt service	1,363,289	1,328,092	-	2,691,381
Total expenses	<u>9,578,045</u>	<u>8,755,561</u>	<u>-</u>	<u>18,333,606</u>
Change in net assets	(619,592)	(825,016)	-	(1,444,608)
NET DEFICIT AT BEGINNING OF THE YEAR	<u>(161,015)</u>	<u>(1,058,319)</u>	<u>-</u>	<u>(1,219,334)</u>
NET DEFICIT AT END OF THE YEAR	<u>\$ (780,607)</u>	<u>\$ (1,883,335)</u>	<u>\$ -</u>	<u>\$ (2,663,942)</u>

See independent auditors' report.

LAFAYETTE CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

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

Board President, 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, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of 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. 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*.



Postlethwaite & Netterville

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 29, 2017



Postlethwaite & Netterville

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A Professional Accounting Corporation

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

Lafayette Charter Foundation, Inc.
Baton Rouge, 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 *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2017. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2017.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003, that we consider to be significant deficiencies.

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

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

Postlethwaite & Netterville
Baton Rouge, Louisiana
December 29, 2017

LAFAYETTE CHARTER FOUNDATION, INC.

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

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>CFDA Number</u>	<u>Expenditures 2017</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 16/17	10.555 ¹	\$ 373,364
National School Breakfast Program	LDE - 16/17	10.553 ¹	51,095
Total US Department of Agriculture			<u>424,459</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-17-T1-ED	84.010A	389,646
Subtotal Title I - Grants to Local Education Agencies			<u>389,646</u>
Passed through Louisiana Department of Education:			
Special Education, IDEA	28-17-B1	84.027A ²	199,653
Title II - Part A, Teacher & Principal Training & Recruiting	28-17-50	84.367A	32,935
Total US Department of Education			<u>232,588</u>
Total Expenditures			<u>\$ 1,046,693</u>

¹ Child nutrition cluster - \$424,459

² Special education cluster - \$199,653

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, 2017

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, 2017, 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, 2017

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster

The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.

- The Foundation was determined not to be a low-risk auditee.

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

FOR THE YEAR ENDED JUNE 30, 2017

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

2017 – 001) Special Tests and Provisions – Verification of Free and Reduced Price Applications

Child Nutrition Cluster:

CFDA #10.555 National School Lunch Program

CFDA #10.553 National School Breakfast Program

Questioned Costs: Undeterminable

Criteria: Under the compliance requirements of the program, by November 15th of each school year, the local education agency (i.e. the Foundation) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The local education agency must follow-up on children whose eligibility status has changed as the result of the verification activities to put them in the appropriate category.

Universe/

Population Size: The Foundation selected the lesser of 3 percent or 3,000 from approved applications on file as of October 1st of the school year for verification testing. The population was 232 applications.

Sample Size: The Foundation selected seven applications based on the criteria and an additional three applications identified as questionable were also selected for verification testing for a total of 10.

Condition(s): The Foundation selected a sample of applications for verification as required by the regulations. The verification procedures were performed and required information was provided to the administering agency, but records could not be provided in support of determinations made for 1 out of 10 sampled participants.

Cause: The above condition is a result of food service personnel turnover as well as poorly maintained records.

Effect: The Foundation may provide free or reduced-price meals to children who were not eligible to receive them.

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

FOR THE YEAR ENDED JUNE 30, 2017

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

2017 – 001) Special Tests and Provisions – Verification of Free and Reduced Price Applications
(continued)

Child Nutrition Cluster:

CFDA #10.555 National School Lunch Program

CFDA #10.553 National School Breakfast Program

Recommendation: We recommend that the Foundation and management better stress the importance of maintaining appropriate records and establish written policies and procedures over monitoring compliance with documentation requirements at each school.

Repeat Finding: Yes.

View of Responsible Official:

Management will continue to remind the schools of the importance of proper recordkeeping when it comes to student eligibility documentation. Management will continue to provide training to school food service staff on best practices for recordkeeping and their role as it relates to ensuring correct eligibility determinations are made for each student. On-site reviews will continue to be completed annually at which time a sample of eligibility documentation will be reviewed.

2017 – 002) Reporting – Internal Controls

Child Nutrition Cluster:

CFDA #10.555 National School Lunch Program

CFDA #10.553 National School Breakfast Program

Questioned Costs: None.

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

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

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

FOR THE YEAR ENDED JUNE 30, 2017

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

2017 – 002) Reporting – Internal Controls (continued)

Child Nutrition Cluster:

CFDA #10.555 National School Lunch Program

CFDA #10.553 National School Breakfast Program

Universe/

Population Size: Not applicable.

Sample Size: Not applicable.

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

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

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

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

Repeat Finding: No.

View of Responsible Official:

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

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

FOR THE YEAR ENDED JUNE 30, 2017

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

2017 – 003) Submission to the Federal Audit Clearinghouse

Questioned Costs: None.

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

**Universe/
Population Size:** Not applicable.

Sample Size: Not applicable.

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

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

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

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

Repeat Finding: No.

View of Responsible Official:

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

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

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

2016 – 001 Special Tests and Provisions – Verification of Free and Reduced Price Applications

Child Nutrition Cluster:

CFDA #10.555 National School Lunch Program

CFDA #10.553 National School Breakfast Program

- Criteria:** Under the compliance requirements of the program, by November 15th of each school year, the local education agency (i.e. the Foundation) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The local education agency must follow-up on children whose eligibility status has changed as the result of the verification activities to put them in the appropriate category.
- Condition(s):** The Foundation selected a sample of applications for verification as required by the regulations. The verification procedures were performed and required information was provided to the administering agency, but records could not be provided in support of determinations made for 9 out of 18 sampled participants.
- Cause:** The above condition is a result of food service personnel turnover as well as poorly maintained records.
- Effect:** The Foundation may provide free or reduced-price meals to children who were not eligible to receive them.
- Questioned Costs:** Undeterminable
- Recommendation:** We recommend that the Foundation and management better stress the importance of maintaining appropriate records.

View of Responsible Official:

The CSUSA Operations Department will create and implement a more hands on tracking system for the verification process. This new system will include all schools following the same date specific timeline. This timeline will walk the schools through the verification process step by step. As the due date for each step in the process approaches, the schools will have to report to the CSUSA Operations Department the actions they have taken, the progress they have made, and any supporting documentation (applications, letters, proof of income, etc.). The schools will submit this information via email and OneDrive. This will enable the CSUSA Operations Department to track each school's timely and accurate completion of each step. It will also ensure that copies of the supporting documentation can be assessed by the CSUSA Operations Department in case they are misplaced at the school level.

Current Status: Not resolved. See finding 2017-001.

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

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

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

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

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

Procedure #1

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

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

Results of procedure # 1

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

Education Levels of Public School Staff (Schedule 2)

Procedure # 2

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

Results of Procedure # 2

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

Procedure # 3

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

Results of procedure # 3

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

Procedure # 4

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

Results of Procedure # 4:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule.

Number and Type of Public Schools (Schedule 3)

Procedure # 5

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

Results of Procedure # 5

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

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

Procedure # 6

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

Results of Procedure # 6

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule.

Public School Staff Data (Schedule 5)

Procedure # 7

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

Results of Procedure # 7

In our sample of 25 teachers, we found 4 discrepancies between the individual's personnel file and the approved salary schedule and the amounts reported on Schedule 5.

Procedure # 8

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

Results of Procedure # 8

No differences were noted.

Class Size Characteristics (Schedule 6)

Procedure # 9

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

Results of Procedure # 9

In our sample of 10 classes for Acadiana Renaissance Charter Academy, we were not provided the roll book for one class.

In our sample of 10 classes for Lafayette Charter Foundation, we were not provided the roll book for three classes, and noted a discrepancy in the number of students in two classes.

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

Procedure # 10

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

Results of Procedure # 10

No differences were noted.

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

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



The iLEAP Tests (Schedule 9)

Procedure # 12

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

Results of Procedure # 12

No differences were noted.

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2017

LAFAYETTE CHARTER FOUNDATION, INC.

Lafayette, Louisiana

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

<u>General Fund Instructional and Equipment Expenditures</u>	<u>Column A</u>	<u>Column B</u>
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$5,262,202	
Other Instructional Staff Activities	414,162	
Employee Benefits	971,352	
Purchased Professional and Technical Services	321,180	
Instructional Materials and Supplies	319,010	
Instructional Equipment	61,629	
Total Teacher and Student Interaction Activities		\$7,349,535
Other Instructional Activities	505,713	505,713
Pupil Support Activities	287,614	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		287,614
Instructional Staff Services	645,943	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		645,943
School Administration	803,896	
Less: Equipment for School Administration	-	
Net School Administration		803,896
Total General Fund Instructional Expenditures		<u>\$9,592,701</u>
Total General Fund Equipment Expenditures		<u>17,290</u>
 <u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes	-	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
Total Local Taxation Revenue		<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		<u>-</u>
Nonpublic Transportation Revenue		<u>-</u>
See independent accountants' report.		
Nonpublic Textbook Revenue		<u>-</u>
Nonpublic Transportation Revenue		<u>-</u>

LAFAYETTE CHARTER FOUNDATION, INC.

Lafayette, Louisiana

Education Levels of Public School Staff

As of October 1, 2016

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Bachelor's Degree	71	78.89%	14	93.33%	0	0.00%	0	0.00%
Master's Degree	16	17.78%	1	6.67%	5	100.00%	0	0.00%
Master's Degree + 30	3	3.33%	0	0.00%	0	0.00%	0	0.00%
Specialist in Education	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ph. D. or Ed. D.	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	90	100.00%	15	100.00%	5	100.00%	0	0.00%

LAFAYETTE CHARTER FOUNDATION, INC.

Lafayette, Louisiana

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

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

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

LAFAYETTE CHARTER FOUNDATION, INC.

Lafayette, Louisiana

Experience of Public Principals and Full-time Classroom Teachers**As of October 1, 2016**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	1	2	0	0	0	3
Principals	0	0	0	1	0	1	0	2
Classroom Teachers	32	22	30	8	5	5	3	105
Total	32	22	31	11	5	6	3	110

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

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

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$47,514.14	\$47,514.14
Average Classroom Teachers' Salary Excluding Extra Compensation	\$43,424.51	\$43,424.51
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	54.66	54.66

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

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

Class Size Characteristics
As of October 1, 2016

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	28.00%	34	72.00%	116	0.00%	0	0.00%	0
Elementary Activity Classes	22.50%	31	77.50%	118	0.00%	0	0.00%	0
Middle/Jr. High	26.57%	9	73.43%	54	0.00%	0	0.00%	0
Middle/Jr. High Activity Classes	43.56%	22	52.44%	28	4.00%	2	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0

LAFAYETTE CHARTER FOUNDATION, INC

Lafayette, Louisiana

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

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3%	3%	0%	11%	13%	3%
Mastery	42%	36%	39%	39%	44%	32%
Basic	35%	34%	22%	25%	24%	20%
Approaching Basic	9%	18%	26%	17%	13%	26%
Unsatisfactory	12%	9%	13%	8%	6%	19%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	12%	5%	3%	6%	5%	2%
Mastery	41%	34%	47%	40%	38%	32%
Basic	30%	35%	38%	30%	31%	27%
Approaching Basic	12%	20%	11%	16%	18%	30%
Unsatisfactory	7%	6%	1%	8%	8%	9%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	12%	2%	0%	8%	10%	4%
Mastery	40%	43%	34%	32%	32%	27%
Basic	30%	38%	31%	38%	23%	30%
Approaching Basic	12%	13%	29%	17%	30%	30%
Unsatisfactory	6%	4%	6%	5%	5%	9%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	8%	5%	1%	5%	4%	1%
Mastery	34%	35%	32%	30%	32%	18%
Basic	38%	41%	41%	29%	33%	38%
Approaching Basic	18%	15%	21%	30%	26%	36%
Unsatisfactory	2%	4%	5%	6%	5%	7%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	21%	8%	0%	2%	1%	0%
Mastery	39%	37%	0%	28%	22%	0%
Basic	28%	30%	0%	41%	39%	0%
Approaching Basic	10%	18%	0%	25%	29%	0%
Unsatisfactory	2%	7%	0%	4%	9%	0%
Total	100%	100%	0%	100%	100%	0%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	11%	0%	0%	0%	0%	0%
Mastery	46%	0%	0%	13%	0%	0%
Basic	26%	0%	0%	30%	0%	0%
Approaching Basic	12%	0%	0%	42%	0%	0%
Unsatisfactory	5%	0%	0%	15%	0%	0%
Total	100%	0%	0%	100%	0%	0%

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

The Graduation Exit Exam for the 21st Century

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

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

iLeap Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	9%	7%	NA	NA	2%
Mastery	21%	33%	18%	NA	NA	16%
Basic	49%	42%	50%	NA	NA	54%
Approaching Basic	20%	8%	16%	NA	NA	18%
Unsatisfactory	6%	8%	9%	NA	NA	10%
Total	100%	100%	100%	NA	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	6%	4%	5%	NA	NA	2%
Mastery	20%	17%	22%	NA	NA	23%
Basic	53%	51%	48%	NA	NA	54%
Approaching Basic	16%	23%	22%	NA	NA	15%
Unsatisfactory	5%	5%	3%	NA	NA	6%
Total	100%	100%	100%	NA	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	3%	5%	NA	NA	3%
Mastery	17%	19%	16%	NA	NA	12%
Basic	46%	48%	46%	NA	NA	55%
Approaching Basic	21%	24%	21%	NA	NA	18%
Unsatisfactory	12%	6%	12%	NA	NA	12%
Total	100%	100%	100%	NA	N/A	100%

LAFAYETTE CHARTER FOUNDATION, INC
Lafayette, Louisiana

iLeap Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	6%	5%	3%	NA	NA	3%
Mastery	21%	25%	17%	NA	NA	9%
Basic	46%	43%	48%	NA	NA	52%
Approaching Basic	22%	21%	24%	NA	NA	26%
Unsatisfactory	5%	6%	8%	NA	NA	10%
Total	100%	100%	100%	NA	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	15%	7%	0%	NA	NA	0%
Mastery	25%	26%	0%	NA	NA	0%
Basic	38%	44%	0%	NA	NA	0%
Approaching Basic	17%	19%	0%	NA	NA	0%
Unsatisfactory	5%	4%	0%	NA	NA	0%
Total	100%	100%	0%	NA	N/A	0%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3%	0%	0%	NA	NA	0%
Mastery	19%	0%	0%	NA	NA	0%
Basic	43%	0%	0%	NA	NA	0%
Approaching Basic	28%	0%	0%	NA	NA	0%
Unsatisfactory	7%	0%	0%	NA	NA	0%
Total	100%	0%	0%	NA	N/A	0%

Lafayette Charter FOUNDATION

December 27, 2017

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

Dear Mr. Purpera,

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

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

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

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

2017-001 Special Tests and Provisions - Verification of Free and Reduced Price Applications

Recommendation: We recommend the foundation and management better stress the importance of maintaining appropriate records and establish written policies and procedures over monitoring compliance with documentation requirements at each school.

Management's Response: Management will continue to remind the schools of the importance of proper recordkeeping when it comes to student eligibility documentation. Management will continue to provide training to school food service staff on best practices for recordkeeping and their role as it relates to ensuring correct eligibility determinations are made for each student. On-site reviews will continue to be completed annually at which time a sample of eligibility documentation will be reviewed.

2017-002 Reporting – Internal Controls

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

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

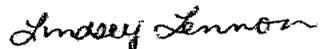
2017-003 Submission to the Federal Audit Clearinghouse

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

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

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

Sincerely,



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

Lafayette Charter FOUNDATION

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

Schedule 5 – 4 differences were notated between the employee’s personnel file and the approved salary schedule and the amounts reported on Schedule 5.

Response: Depending on when an employee’s start date is, the amount notated in the personnel file may differ from the amount reported on schedule 5. Also, the personnel file document may only include the employee’s annual salary, whereas the Schedule 5 may include stipends or bonuses paid to the employee.

Schedule 6– In our sample of 10 classes for Acadiana Renaissance Charter Academy, we were not provided the roll book for one class.

Response: The foundation and management will reinforce the importance of retaining all documents needed to complete these schedules.

Schedule 6– In our sample of 10 classes for Lafayette Charter Foundation, we were not provided the roll book for three classes, and noted a discrepancy in the number of students in two classes.

Response: The foundation and management will reinforce the importance of retaining all documents needed to complete these schedules. The discrepancies are a result of one of three things: 1) student listed in error did not have a schedule; 2) student dropped before Oct 1; or 3) student reported in SIS but not added by school. We ensure that the roll books are corrected for such issues in the future.

Signature: *Andrey Lennon*

Title: Controller

LAFAYETTE CHARTER FOUNDATION

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

FOR THE YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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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 in Schedule A, 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, 2016 through June 30, 2017. The Board's management is responsible for those C/C areas identified in the SAUPs.

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

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

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2017

LAFAYETTE CHARTER FOUNDATION
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
JUNE 30, 2017

Schedule A

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

Written Policies and Procedures

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

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

No exceptions noted.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions noted.

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

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

LAFAYETTE CHARTER FOUNDATION
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
JUNE 30, 2017

Schedule A

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

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

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

Not applicable to the Foundation.

Board (or Finance Committee, if applicable)

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

No exceptions noted.

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

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

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

No exceptions noted.

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

Schedule A

Bank Reconciliations

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

A listing of bank accounts was provided and included a total of 8 bank accounts. No exceptions were noted as a result of performing this procedure.

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

From the listing provided, P&N selected 3 accounts and obtained the bank reconciliations for each of the twelve months ending June 30, 2017, resulting in 36 bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations have been prepared;

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Collections

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

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

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

LAFAYETTE CHARTER FOUNDATION
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
JUNE 30, 2017

Schedule A

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

No exceptions noted.

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

No exceptions noted.

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

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

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

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

Schedule A

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

	<i>Cash Collection Location</i>	<i>Name of Bank Account</i>	<i>Date of Deposit</i>	<i>Deposits made within 1 day of receipt</i>	<i>Number of days after receipt, if exceeding 1 day</i>	<i>Number of deposits without supporting documentation</i>
1	Acadiana Renaissance	Internal	8/10/2016	no	6	0
2	Lafayette Renaissance	Internal	3/13/2017	no	3	0
3	Lafayette Renaissance	Operating	3/13/2017	no	3	0

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

No exceptions noted.

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

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

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

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

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

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

No exceptions noted.

LAFAYETTE CHARTER FOUNDATION
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
JUNE 30, 2017

Schedule A

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

Of the 25 disbursements selected, 1 out of the 25 tested did not have an approved purchase order.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

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

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

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

Not applicable. See response in 14.

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

Not applicable. See response in 14.

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

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

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

Not applicable. See response in 14.

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

Not applicable. See response in 14.

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

Not applicable. See response in 14.

Travel and Expense Reimbursement

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

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

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Contracts

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

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

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

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

For one of the five contracts selected for testing, supporting documentation was not provided.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

None of the five tested were subject to bid law.

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

The Foundation did solicit quotes for 3 out of the 5 contracts selected for testing. Supporting documentation was not provided for one of the contracts selected for testing.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

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

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

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Ethics

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

No exceptions noted.

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

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

Debt Service

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

Not applicable.

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

Not applicable.

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

Not applicable.

Other

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

None noted.

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

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

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

No exceptions noted.

Lafayette Charter FOUNDATION

Response to Exceptions in Statewide AUP Results

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

Signature: *Andrey Linnon*

Title: Controller