

**ADVOCATES FOR ACADEMIC  
EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
New Orleans, Louisiana**

Annual Financial Statements

June 30, 2017 and 2016



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## **Independent Auditor's Report**

To the Board of Directors  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High School  
New Orleans, Louisiana

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

We have audited the accompanying financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

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

The performance and statistical data, included as schedules 1 through 9, is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the independent accountant's report on applying agreed-upon procedures. However, we did not audit this information and, accordingly, express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA  
October 12, 2017

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 5,406,480	\$ 5,040,848
Grants Receivable	146,305	131,625
Student, Class, and Course Fees Receivable, Net	208,765	174,099
Unconditional Promises to Give	4,205	22,180
Prepaid Expenses	63,873	10,000
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>5,829,628</b>	<b>5,378,752</b>
<b>Fixed Assets</b>		
Property and Equipment, Net	491,816	370,235
	<hr/>	<hr/>
<b>Total Fixed Assets, Net</b>	<b>491,816</b>	<b>370,235</b>
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 6,321,444</b>	<b>\$ 5,748,987</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 376,694	\$ 393,407
Accrued Expenses	165,697	261,725
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>542,391</b>	<b>655,132</b>
<b>Net Assets</b>		
Unrestricted	5,181,312	4,568,323
Temporarily Restricted	457,940	387,509
Permanently Restricted	139,801	138,023
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>5,779,053</b>	<b>5,093,855</b>
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,321,444</b>	<b>\$ 5,748,987</b>
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The accompanying notes are an integral part of these financial statements.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Grants, and Other Support</b>				
State and Local Public School Funding				
Local - Minimum Foundation Program	\$ 5,174,559	\$ -	\$ -	\$ 5,174,559
State - Minimum Foundation Program	3,334,008	-	-	3,334,008
Special Distributions - Minimum Foundation Program	238,481	-	-	238,481
Grants				
Other State Grants	35,848	-	-	35,848
Federal Grants	18,418	-	-	18,418
Class and Course Fees	595,543	-	-	595,543
Contributions	245,728	417,266	1,778	664,772
Student Activity Fees	179,670	-	-	179,670
In-Kind Donations	40,029	-	-	40,029
Interest Income	39,662	-	-	39,662
Other Revenue	4,581	-	-	4,581
Net Assets Released from Restrictions	346,835	(346,835)	-	-
<b>Total Revenue, Grants, and Other Support</b>	<b>10,253,362</b>	<b>70,431</b>	<b>1,778</b>	<b>10,325,571</b>
<b>Expenses</b>				
Salaries and Wages	4,946,490	-	-	4,946,490
Employee Benefits	1,730,847	-	-	1,730,847
Student Activities Expense	871,736	-	-	871,736
Professional Services	774,247	-	-	774,247
Supplies	279,108	-	-	279,108
Repairs and Maintenance	258,705	-	-	258,705
Utilities	182,194	-	-	182,194
Insurance	136,228	-	-	136,228
Expendable Furniture, Fixtures, and Equipment	110,208	-	-	110,208
Payroll Taxes	93,777	-	-	93,777
Travel and Meals	91,163	-	-	91,163
Printing and Postage	52,968	-	-	52,968
Depreciation	48,605	-	-	48,605
Other Expenses	28,367	-	-	28,367
Advertising	21,555	-	-	21,555
Food Services	14,175	-	-	14,175
<b>Total Expenses</b>	<b>9,640,373</b>	<b>-</b>	<b>-</b>	<b>9,640,373</b>
<b>Change in Net Assets</b>	<b>612,989</b>	<b>70,431</b>	<b>1,778</b>	<b>685,198</b>
<b>Net Assets, Beginning of Year</b>	<b>4,568,323</b>	<b>387,509</b>	<b>138,023</b>	<b>5,093,855</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,181,312</b>	<b>\$ 457,940</b>	<b>\$ 139,801</b>	<b>\$ 5,779,053</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Grants, and Other Support</b>				
State and Local Public School Funding				
Local - Minimum Foundation Program	\$ 4,551,852	\$ -	\$ -	\$ 4,551,852
State - Minimum Foundation Program	3,712,739	-	-	3,712,739
Special Distributions - Minimum Foundation Program	423,205	-	-	423,205
Grants				
Other State Grants	63,179	-	-	63,179
Federal Grants	16,239	-	-	16,239
Class and Course Fees	670,232	-	-	670,232
Contributions	199,945	393,602	4,099	597,646
Student Activity Fees	242,687	-	-	242,687
In-Kind Donations	79,671	-	-	79,671
Interest Income	63,373	-	-	63,373
Other Revenue	7,983	-	-	7,983
Net Assets Released from Restrictions	177,922	(177,922)	-	-
<b>Total Revenue, Grants, and Other Support</b>	<b>10,209,027</b>	<b>215,680</b>	<b>4,099</b>	<b>10,428,806</b>
<b>Expenses</b>				
Salaries and Wages	4,889,784	-	-	4,889,784
Employee Benefits	1,663,365	-	-	1,663,365
Student Activities Expense	1,016,771	-	-	1,016,771
Professional Services	727,829	-	-	727,829
Supplies	333,180	-	-	333,180
Repairs and Maintenance	223,409	-	-	223,409
Utilities	162,773	-	-	162,773
Insurance	172,387	-	-	172,387
Expendable Furniture, Fixtures, and Equipment	95,515	-	-	95,515
Payroll Taxes	107,692	-	-	107,692
Travel and Meals	107,872	-	-	107,872
Printing and Postage	61,810	-	-	61,810
Depreciation	32,690	-	-	32,690
Other Expenses	30,019	-	-	30,019
Advertising	18,197	-	-	18,197
Food Services	27,030	-	-	27,030
<b>Total Expenses</b>	<b>9,670,323</b>	<b>-</b>	<b>-</b>	<b>9,670,323</b>
<b>Change in Net Assets</b>	<b>538,704</b>	<b>215,680</b>	<b>4,099</b>	<b>758,483</b>
<b>Net Assets, Beginning of Year</b>	<b>4,029,619</b>	<b>171,829</b>	<b>133,924</b>	<b>4,335,372</b>
<b>Net Assets, End of Year</b>	<b>\$ 4,568,323</b>	<b>\$ 387,509</b>	<b>\$ 138,023</b>	<b>\$ 5,093,855</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 685,198	\$ 758,483
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	48,605	32,690
Contributions Restricted for Endowment Purposes	(1,778)	(4,099)
(Increase) Decrease in Assets		
Grants Receivable	(14,680)	(11,980)
Student Fees Receivable	(34,666)	(88,191)
Unconditional Promises to Give	17,975	(19,120)
Prepaid Expenses	(53,873)	23,681
Increase (Decrease) in Liabilities		
Accounts Payable	(16,713)	133,558
Accrued Expenses	(96,028)	185,656
	<u>534,040</u>	<u>1,010,678</u>
<b>Cash Flows from Investing Activities</b>		
Property and Equipment Purchases	<u>(170,186)</u>	<u>(75,172)</u>
	<u>(170,186)</u>	<u>(75,172)</u>
<b>Cash Flows from Financing Activities</b>		
Collections of Endowment Gifts	<u>1,778</u>	<u>4,099</u>
	<u>1,778</u>	<u>4,099</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>365,632</b>	<b>939,605</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>5,040,848</u></b>	<b><u>4,101,243</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 5,406,480</u></b>	<b><u>\$ 5,040,848</u></b>

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

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

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Organization**

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

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

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

**Financial Statement Presentation**

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School 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 School is required to present a statement of cash flows.

The School 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**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified the use of the contribution.

For purposes of the statements of cash flows, the School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. For the years ended June 30, 2017 and 2016, the School did not have any cash equivalents.

**Grants Receivable**

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

**Promises to Give**

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

**Property, Equipment, and Depreciation**

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

**Compensated Absences**

The following provisions for compensated absences were negotiated under the collective bargaining agreement (CBA) discussed in Note 10 for applicable bargaining unit employees. All ten-month employees are provided ten days of paid leave per year to be used for illness or personal leave. All eleven-month employees receive eleven days of paid leave for illness or personal leave. All twelve-month employees receive ten days of paid leave for illness or personal leave and fifteen vacation days.

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

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Continued)**

Personal time off is allocated July 1st of each year and is available through June 30th of the following year. Employees are able to bank five unused days from year to year, up to a maximum of ten days.

Any remaining time is reported to the Teachers' Retirement System of Louisiana for service credit calculation purposes at retirement. All other employees receive the same provisions for compensated absences as those under the CBA, with the exception of the executive cabinet members, who receive twenty vacation days.

Compensated absences and the related benefits accrued as of June 30, 2017 and 2016, totaled \$157,645 and \$255,214, respectively, which are included in accrued expenses on the statements of financial position.

**Contributions and Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 and reported in the statement of activities as net assets released from restrictions.

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

**In-Kind Support**

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$40,029 and \$79,671, for the years ended June 30, 2017 and 2016, respectively, and included donations of classroom and building improvements, laptops and other computer equipment, musical instruments, books, vacations to be raffled, registration for academic related competitions, and other items.

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

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The School believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

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

**Allocated Expenses**

The costs of providing the School's various programs and other activities are summarized in Note 12. Certain expenses have been allocated among the programs and supporting services based on management's estimate of costs involved.

**Fundraising Expenses**

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

**Advertising**

Advertising costs, which are included in general and administrative expenses, are expensed as incurred. Advertising expense for the years ended June 30, 2017 and 2016, totaled \$21,555 and \$18,197, respectively.

**Reversionary Interest in Funds and Assets**

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agency are funds earned by the School to be used for the purpose for which they were acquired. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

**Note 2. Concentrations of Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be recovered. The School periodically maintains cash in bank accounts in excess of insured limits. However, the School has a written policy for custodial credit risk requiring collateralization of uninsured cash deposits. As of June 30, 2017 and 2016, the School's bank balances were \$5,557,572 and \$5,018,941, respectively.

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

**Notes to Financial Statements**

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**Note 2. Concentrations of Risk (Continued)**

As of June 30, 2017 and 2016, balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled approximately \$750,000 and \$500,000, respectively. The remaining deposits of \$4,811,403 and \$4,522,966, respectively, were uninsured. As of June 30, 2017, \$4,661,719 of deposits were invested in a repurchase agreement as part of an overnight sweep account. These invested deposits were not FDIC insured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name. The School did not have an overnight sweep account as of June 30, 2016. As of June 30, 2016, the uninsured deposits were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name. Remaining uninsured and uncollateralized deposits as of June 30, 2017 and 2016, total \$149,684 and \$0-, respectively. The School has not experienced any losses and does not believe that significant credit risk exists as a result of its cash management practices.

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the years ended June 30, 2017 and 2016, which totaled \$8,801,314, or 85%, and \$8,767,214, or 84%, of total revenue, respectively.

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

**Note 3. Cash and Cash Equivalents**

The School's cash and cash equivalents (book balances) at June 30, 2017 and 2016, were \$5,406,480 and \$5,040,848, respectively, which are stated at cost and approximate market.

**Note 4. Property and Equipment**

Property and equipment composition as of June 30, 2017 and 2016, was as follows:

	2017	2016
Machinery and Equipment	\$ 509,377	\$ 502,020
Site Improvements	173,008	173,008
Building and Building Improvements	442,637	249,176
Construction in Progress	3,225	33,857
	<u>1,128,247</u>	<u>958,061</u>
Less: Accumulated Depreciation	(636,431)	(587,826)
<b>Property and Equipment, Net</b>	<u><u>\$ 491,816</u></u>	<u><u>\$ 370,235</u></u>

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

**Notes to Financial Statements**

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**Note 4. Property and Equipment (Continued)**

Depreciation expense for the years ended June 30, 2017 and 2016, totaled \$48,605 and \$32,690, respectively.

**Note 5. Bank Line of Credit**

The School previously maintained a line of credit of \$100,000 with a local financial institution with a variable rate of interest at the Wall Street Journal prime rate (4.25% as of June 30, 2017 and 3.50% as of June 30, 2016) due on demand. The line of credit was secured by the savings account of the School, which was held by the same financial institution. During the year ended June 30, 2017, the School closed the line of credit. As of June 30, 2016, the School had no outstanding borrowing under the line of credit and the full amount of the line of credit was available to the School.

**Note 6. Retirement Plan**

Substantially all employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123. At June 30, 2016, the TRSL was 62.4% funded.

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

For the years ended June 30, 2017 and 2016, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 25.5% and 26.3%, respectively, of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement System's Actuarial Committee. For the years ended June 30, 2017 and 2016, the School's contributions to this plan totaled \$1,277,505 and \$1,216,887, respectively.

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

**Notes to Financial Statements**

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**Note 7. Endowment Fund**

**The Endowments**

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

The School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets:

- the original value of gifts donated to the permanent endowment,
- the original value of subsequent gifts to the permanent endowment, and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment net asset composition as of June 30, 2017 and 2016, was as follows:

<b>June 30, 2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Donor-Restricted Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,801</b>	<b>\$ 139,801</b>
June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Funds	\$ -	\$ -	\$ 138,023	\$ 138,023

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

**Notes to Financial Statements**

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**Note 7. Endowment Fund (Continued)**

**The Endowments (Continued)**

Changes in endowment net assets for the years ended June 30, 2017 and 2016, were as follows:

<b>June 30, 2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Net Assets, Beginning of Year</b>	\$ -	\$ -	\$ 138,023	\$ 138,023
<b>Contributions</b>	-	-	1,778	1,778
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,801</b>	<b>\$ 139,801</b>

  

<b>June 30, 2016</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Net Assets, Beginning of Year</b>	\$ -	\$ -	\$ 133,924	\$ 133,924
<b>Contributions</b>	-	-	4,099	4,099
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 138,023</b>	<b>\$ 138,023</b>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the School to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations. There were no such deficiencies as of June 30, 2017 or 2016.

**Return Objectives and Risk Parameters**

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

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How Investment Objectives Relate to the Spending Policy**

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

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

**Notes to Financial Statements**

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**Note 8. Restrictions on Net Assets**

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets as of June 30, 2017 and 2016, are available for the following purposes:

	2017	2016
Athletics	\$ 243,865	\$ 18,265
Academics	97,247	81,647
Auditorium	30,670	164,718
After School Activities	24,127	22,276
Scholarship	15,410	16,120
Professional Development	15,164	33,545
Class Reunion Gifts	13,636	12,497
Guidance	6,644	6,994
Library	6,277	11,447
Building Maintenance	4,900	20,000
<b>Total</b>	<b>\$ 457,940</b>	<b>\$ 387,509</b>

As discussed in Note 7, permanently restricted net assets of \$139,801 and \$138,023, as of June 30, 2017 and 2016, respectively, relate to an operating endowment to be held in perpetuity. The income from endowment investments is expendable for operations.

**Note 9. Grants**

**Federal**

The United States Department of Education passed through a grant to the OPSB, which was awarded to the School as a subrecipient, to increase academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers, principals, and assistant principals. The grant funds must be used to assist schools in effectively recruiting and retaining highly qualified teachers, to make available professional development activities that address subject matter knowledge, and other activities. For the years ended June 30, 2017 and 2016, the School recognized revenue under this grant of \$18,418 and \$16,239, respectively, which is included in federal grants on the statements of activities.

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

**Notes to Financial Statements**

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**Note 9. Grants (Continued)**

**State**

The Louisiana State Government passed through an appropriation to the OPSB, which was awarded to the School as part of House Bill No. 1, to provide funding for ordinary operating expenses of the School. For the years ended June 30, 2017 and 2016, the School recognized revenue under this grant of \$21,601 and \$42,748, respectively, which is included in other state grants on the statements of activities.

The Louisiana State Government passed through an appropriation to the OPSB, which was awarded to the School as part of the Louisiana Education Excellence Fund. This fund gives school districts and other public schools access to resources for school leader and teacher goal-setting, assessment and curriculum enhancement, school and teacher collaboration, and observation and feedback of the aforementioned. For the years ended June 30, 2017 and 2016, the School recognized revenue under this grant of \$14,247 and \$13,395, respectively, which is included in other state grants on the statements of activities.

**State and Local Public School Funding**

The OPSB provides funding which is determined annually based on the number of pupils enrolled in the School as of October 1st. Revenues received by the OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the years ended June 30, 2017 and 2016, the School recognized revenue under this funding of \$5,174,559 and \$4,551,852, respectively.

The State of Louisiana provides funding which is determined annually based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved Minimum Foundation Program (MFP) formula resolution. For the years ended June 30, 2017 and 2016, the School recognized revenue under this grant of \$3,334,008 and \$3,712,739, respectively.

The School receives certain special distributions from the OPSB related to MFP true-up calculations performed by the OPSB for previous years. For the years ended June 30, 2017 and 2016, the School recognized revenue of \$238,481 and \$423,205, respectively, related to these distributions.

**Note 10. Union Contracts**

On May 15, 2014, the Board of Directors voted to voluntarily recognize the United Teachers of New Orleans, Local 527, LFT, AFT, AFL-CIO (the Union) as the exclusive bargaining representative for the purpose of negotiating a collective bargaining agreement (CBA) under a voluntary recognition agreement to be negotiated by the board president and subject to board approval. On March 19, 2015, the School's Board and the Union finalized the CBA with an initial three-year term including the June 30, 2015 fiscal year and ending June 30, 2017. On May 17, 2017, the School's Board and the Union agreed to extension of the current CBA until a new agreement can be reached.

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

**Notes to Financial Statements**

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**Note 10. Union Contracts (Continued)**

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

- A salary that is determined using a salary scale approved by the Union and based on years of relevant experience and level of education
- A stipend computed as 15% of all supplemental MFP true-up payments received by the School, if any, for the previous fiscal years, up to a maximum of \$125,000, allocated based on full-time equivalency
- Provisions for personal leave days as compensated absences (Note 1)
- Continuing to pay 80% of the premium costs for medical, dental, and vision coverage
- Continuing to provide retirement benefits through TRSL or as provided by applicable law

**Note 11. School Operations/Leasehold Interest**

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

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

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

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

**Notes to Financial Statements**

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**Note 12. Functional Allocation of Expenses**

Expenses have been reported on the statements of activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expenses and fundraising expenses) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total expenses for the years ended June 30, 2017 and 2016, are allocated as follows:

	<b>2017</b>	2016
Program Services	<b>\$ 8,553,007</b>	\$ 8,608,932
Supporting Services		
Management and General	<b>851,199</b>	738,795
Fundraising	<b>236,167</b>	322,596
<b>Total Expenses</b>	<b>\$ 9,640,373</b>	\$ 9,670,323

**Note 13. Risk Management**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2017 or 2016.

**Note 14. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 12, 2017, and determined that the following events occurred that require disclosure:

On August 1, 2017, the School entered into a lease agreement with a related party, the University of New Orleans (UNO), for additional classroom space. UNO is considered a related party as the president of UNO is a board member for the School. The lease expires July 31, 2018 and requires monthly payments of \$4,931 during the lease period.

On September 29, 2017, the School's Board and the Union entered into an updated CBA expiring on June 30, 2021.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW  
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

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

To the Board of Directors  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High School  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 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 School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

1. We selected a random sample of 25 transactions and reviewed 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
  - Nonpublic Transportation Revenue

Findings:

None.

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

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to the School's supporting payroll records as of October 1<sup>st</sup>.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1<sup>st</sup> and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Findings:

None.

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

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 I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None.

### Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1<sup>st</sup> and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None.

Public School Staff Data: Average Salaries (Schedule 5)

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 equivalents as reported on the schedule and traced a random 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.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None.

Class Size Characteristics (Schedule 6)

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 random sample of 10 classes to the October 1<sup>st</sup> roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. Not applicable.

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Tests (Schedule 9)

12. Not applicable.

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

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, as required by Louisiana Revised Statue 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA  
October 12, 2017

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
Schedules Required by Louisiana State Law  
(R.S. 24:514 - Performance and Statistical Data)  
As of and for the Year Ended June 30, 2017**

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

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

**Schedule 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 - Public School Staff Data: Average Salaries**

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**Schedule 7 - Louisiana Educational Assessment Program (LEAP)**

Not applicable.

**Schedule 8 - Graduation Exit Exam (GEE)**

Not applicable.

**Schedule 9 - iLEAP Tests**

Not applicable.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2017**

**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures**

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 2,757,938	
Other Instructional Staff Salaries	423,423	
Instructional Staff Employee Benefits	1,167,361	
Purchased Professional and Technical Services	34,844	
Instructional Materials and Supplies	141,104	
Instructional Equipment	81,344	
	<hr/>	
<b>Total Teacher and Student Interaction Activities</b>		\$ 4,606,014
Other Instructional Activities		10,951
Pupil Support Services	841,150	
Less: Equipment for Pupil Support Services	7,184	
	<hr/>	
<b>Net Pupil Support Services</b>		833,966
Instructional Staff Services	103,840	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
<b>Net Instructional Staff Services</b>		103,840
School Administration	1,379,036	
Less: Equipment for School Administration	-	
	<hr/>	
<b>Net School Administration</b>		1,379,036
		<hr/>
<b>Total General Fund Instructional Expenditures</b>		\$ 6,933,807
		<hr/>
<b>Total General Fund Equipment Expenditures</b>		\$ 88,528
		<hr/>

**Certain Local Revenue Sources**

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
	<hr/>	
<b>Total Local Taxation Revenue</b>		\$ -
		<hr/>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
<b>Total Local Earnings on Investment in Real Property</b>		\$ -
		<hr/>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
<b>Total State Revenue in Lieu of Taxes</b>		\$ -
		<hr/>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	\$ -	
	<hr/>	

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Education Levels of Public School Staff**  
**As of October 1, 2016**

**Schedule 2**

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								
Bachelor's Degree	9	22%						
Master's Degree	17	42%	4	80%				
Master's Degree +30	9	23%			2	100%		
Specialist in Education								
Ph. D. or Ed. D.	5	13%	1	20%			1	100%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>5</b>	<b>100%</b>	<b>2</b>	<b>100%</b>	<b>1</b>	<b>100%</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Number and Type of Public Schools**  
**For the Year Ended June 30, 2017**

**Schedule 3**

<b>Type</b>	<b>Number</b>
Elementary	
Middle/Jr. High	
Secondary	1
Combination	
<b>Total</b>	<b>1</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Experience of Public Principals, Assistant Principals,**  
**and Full Time Classroom Teachers**  
**As of October 1, 2016**

**Schedule 4**

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	<b>Total</b>
Assistant Principals					1		1	<b>2</b>
Principals							1	<b>1</b>
Classroom Teachers		3	15	7	6	5	9	<b>45</b>
<b>Total</b>	<b>0</b>	<b>3</b>	<b>15</b>	<b>7</b>	<b>7</b>	<b>5</b>	<b>11</b>	<b>48</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Public School Staff Data: Average Salaries**  
**For the Year Ended June 30, 2017**

**Schedule 5**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions</b>
<b>Average Classroom Teachers Salary Including Extra Compensation</b>	\$58,570	\$56,825
<b>Average Classroom Teachers Salary Excluding Extra Compensation</b>	\$52,722	\$51,148
<b>Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries</b>	50.63	49.17

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Class Size Characteristics**  
**As of October 1, 2016**

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
High	39%	116	56%	172	4%	11	1%	2
High Activity Classes	35%	32	16%	14	26%	23	23%	21

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

The School does not have grades 4 or 8. Therefore, this schedule is not applicable to the School.

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Graduation Exit Exam (GEE)**  
**For the Year Ended June 30, 2017**

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**Schedule 8**

The GEE has been discontinued and is no longer being administered. Therefore, this schedule is no longer applicable to the School.

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**iLEAP Tests**  
**For the Year Ended June 30, 2017**

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**Schedule 9**

The iLEAP has been discontinued for Grade 9 and is no longer being administered. The School does not have grades 3, 5, 6, or 7. Therefore, this schedule is no longer applicable to the School.

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

## **SUPPLEMENTARY INFORMATION**

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Board of Directors  
For the Year Ended June 30, 2017**

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<b><u>Board Members</u></b>	<b><u>Compensation</u></b>
Mr. Lester F. Alexander III, President	\$-0-
Mr. Mark I. Baum	\$-0-
Mr. Wayne Collier	\$-0-
Mrs. Alea M. Cot	\$-0-
Mr. Duris L. Holmes	\$-0-
Mrs. Charmaine Cooper Hussain	\$-0-
Mr. Richard M. Ireland	\$-0-
Mrs. Tandra LeMay	\$-0-
Ms. Saundra Katz Levy	\$-0-
Dr. John W. Nicklow	\$-0-
Mr. Todd Ragusa	\$-0-
Mr. Todd Slack	\$-0-

See independent auditor's report.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Compensation, Benefits, and Other Payments  
to Agency Head or Chief Executive Officer  
For the Year Ended June 30, 2017**

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**Agency Head**  
Dr. Patrick Widhalm, Principal

<b>Purpose</b>	<b>Amount</b>
Salary	\$170,000
Benefits - Retirement	\$43,350
Benefits - Insurance	\$7,092
Contract Agreement	\$6,897
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$98
Travel	\$167
Registration Fees	\$495
Conference Travel	\$352
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Meals	\$0

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Directors  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High School  
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA  
October 12, 2017

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Findings and Responses  
For the Year Ended June 30, 2017**

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**Section I. Summary of Auditor's Results**

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditor's report  | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters:   |            |
| a. Material weaknesses identified?   | None       |
| b. Significant deficiencies identified not considered to be material weaknesses? | None       |
| c. Noncompliance noted?  | None       |

**Section II. Internal Control Over Financial Reporting**

None.

**Section III. Compliance and Other Matters**

None.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2017**

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**Section II. Internal Control Over Financial Reporting**

None.

**Section III. Compliance and Other Matters**

None.

**Independent Accountant's Report  
on Applying Agreed-Upon Procedures**

**For the Period of July 1, 2016 - June 30, 2017**

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

We have performed the procedures enumerated below, which were agreed to by Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2016 through June 30, 2017. The School's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

***Written Policies and Procedures***

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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.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - d) ***Receipts***, including receiving, recording, and preparing deposits.
  - e) ***Payroll/Personnel***, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (LRS) 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. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The School does not have written policies or procedures governing the addition of vendors to the vendor listing, public bid law, or contract review. The School's policies and procedures address all other applicable financial/business functions. Functions that were determined to not be applicable were i) Ethics and j) Debt Service.

Management's Response: The School will review the purchasing policy and add specific language regarding the addition of vendors to the vendor listing. Additionally, language will be written into the policy that is consistent with the School's practice of following public bid law and who is responsible for reviewing contracts.

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

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- 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.
  - b) Report whether the minutes referenced or included 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.
  - 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.

Results: During the fiscal year, the School's board and finance committee met eleven (11) times.

The board and finance committee minutes included financial updates, budgets, and other non-budgetary items.

The School did not have a deficit during the year ended June 30, 2017.

### ***Bank Reconciliations***

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

Results: We obtained management's representation that the listing provided is complete.

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 five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - 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
  - 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.

Results: For the accounts selected, all monthly bank reconciliations were prepared and included evidence that an independent member of management or a board member had reviewed the reconciliation. The School's CFO prepares the monthly bank reconciliations. The bank reconciliations are then reviewed by the Audit Committee Chair who is not an authorized check signer.

On a bank account, we noted eleven (11) outstanding deposits totaling \$17,044; one (1) outstanding deposit adjustment totaling \$2,824; fifty (50) outstanding payments totaling \$6,674; five (5) outstanding payment adjustments totaling \$11,037; and an unknown number of "out-of-balance" transactions totaling \$11,065, all of which have been outstanding for more than 6 months.

On a bank account, we noted one (1) outstanding deposit adjustment totaling \$58 and four (4) outstanding payments totaling \$370 which have been outstanding for more than 6 months.

We did not note any evidence supporting that reconciling items that have been outstanding for more than 6 months were researched.

Management's Response: The School will actively address the outstanding items noted during the bank reconciliation testing process.

## Collections

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

Results: We obtained management's representation that the listing provided is complete.

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 five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
  - 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.
  - 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.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - 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.

Results: We noted one cash collection location, the School's primary campus. We noted that employees responsible for collecting cash are covered under a crime insurance policy. We noted that employees that collect cash are not allowed to deposit cash in the bank, per policy and procedures. We noted that the School does not have any formal cash registers or drawers.

The entity has a formal process to reconcile cash collections to the general ledger, primarily through bank reconciliations performed by a person who is not responsible for cash collections.

We noted that deposit activity is mainly check deposits or ACH payment receipts. Only student fees and student activity funds include cash deposits.

For the week selected, three deposits were reviewed, all of which were completely supported by documentation. The deposits selected included various dates of collection. It is estimated that the time from the first item collected to the date of deposit was fourteen (14) days, forty-four (44) days, and nineteen (19) days.

Management's Response: The School implemented additional procedures effective July 1, 2017 to ensure more timely deposits from collection to deposit. The data tested and results noted above were based on the prior procedures in place. It is also important to note that in some instances dates of checks tested included a mailing time lapse as well as period for the School's Development Office to process contribution checks and ensure proper documentation/maintenance of record as it relates to donations under IRS codes.

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 to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: As the School is a charter school, its major sources of revenues are monthly Minimum Foundation Program payments, grant reimbursements, and contributions made by individuals or foundations. The CFO compares actual revenue to budgeted amounts on a monthly basis.

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

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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.

Results: We obtained management's representation that the listing provided is complete.

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:
  - 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.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: For all disbursements sampled, initiation was performed by using a “check request/purchase order” form (form), which was provided with the supporting documentation. For six (6) disbursements sampled, the form was not completed and the charge was identified as a reoccurring vendor. For three (3) disbursements selected, we were unable to assess the timing of the purchase order approval to determine if payment was processed prior to the completed purchase order. For one (1) disbursement selected, the approver of the purchase order initiated the purchase on a credit card and the purchase order was dated after the purchase was initiated. For nine (9) disbursements sampled, approval and initiation on the form was performed by the same person, who was identified to us as a department head or someone with the authority to approve purchases. All disbursements sampled included an invoice and a copy of the signed check.

Management’s Response: The School has set purchasing policies and procedures with the goal of ensuring its primary mission, the academic success of its students, is achieved while also maintaining accountability for the use of funds. There are levels within the controls that allow for academic department heads or other employees with appropriate oversight of their related duties to initiate and approve purchases. Accountability is maintained through various aspects of expense processing. The policies and procedures will be reviewed based on results noted above to implement any necessary improvements to ensure continued accountability.

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.

Results: We noted that all invoices need approval from a department head, the CFO, or the Head of School for payment processing and that all checks require two signatures. We noted that two (2) accounting personnel, the Accountant and the CFO, are responsible for processing payments and are capable of adding vendors to the entity’s purchasing/disbursements system.

Management’s Response: Since the School has a small staff operating the Business Office, it does not have a requirement that the individual processing payments is prohibited from adding vendors. Procedures such as: the Accountant not being an authorized check signor; the CFO rarely inputting/printing vendor payments (which can be supported by user identification/tracking within the accounting system); and board member review of bank statements including signatures on cleared checks mitigates the risk created by the lack of segregation of adding a vendor duty.

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.

Results: We noted that the School has four (4) primary employee signers, including the CFO, Head of School, Operations Assistant Principal, and Academics Assistant Principal. We noted that these signers have the ability to authorize disbursements and may also initiate purchases. Only the CFO has the ability to record purchases.

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.

Results: We noted that blank secured check paper is maintained in a locked office with access restriction. We noted that access to print checks is limited to the accounting department personnel, including the Accountant and the CFO. The CFO has signatory authority. We noted that all checks require two signatures.

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.

Results: The School does not use a signature stamp or machine. We noted that signed checks are returned to the accounting department for mailing.

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

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

Results: We obtained management's representation that the listing provided is complete.

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. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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:

- 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: We noted evidence that the monthly combined statement and supporting documentation was reviewed and approved for all statements and cards sampled. The Accountant performed the primary review and the Chief Financial Officer performed the final approval.

No finance fees or late fees were assessed on the sampled statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 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).
  - 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.
  - 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 of 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.

Results: We noted four (4) transactions selected were not supported by an original itemized receipt and, therefore, documentation of the business/public purpose could not be confirmed. We noted that supporting documentation for these four (4) transactions included notes regarding the business purpose of the purchases and one (1) pertained to a meal transaction which did not include support for the individuals or groups participating in the meal. Separately, we noted six (6) meal transactions selected included support for the group of employees and students participating in the meal but did not list the participants individually.

For the year ended June 30, 2017, we noted no construction projects over \$152,550 which is the only bid law provision applicable to charter schools.

We noted no exceptions in reviewing the transactions' detail against the requirement of Article 7, Section 14 of the Louisiana Constitution.

Management's Response: Effective July 1, 2017, the School's management set new procedures relative to credit card purchases. All employees must sign the credit card out of the Business Office, with an expense request form detailing the business purpose being turned in at time of card sign-out. After completion of the purchase, the credit card must be signed in and the itemized receipt attached to the expense request form. The updated policy includes: stipulations regarding use of the card while being signed out; that the card may not be given to other employees for use prior to being signed back in; and access to the card being denied and/or an employee being held responsible for purchases made that do not support an appropriate business reason while the card was in their possession. The sign-in/out sheet is reviewed by the CFO in conjunction with the monthly statement review and payment of the card.

It should be noted that the above results were based on a total of 141 tested credit card transactions. With the School's implementation of additional credit card procedures effective this fiscal year, it is expected that results of future testing will improve accordingly.

### ***Travel and Expense Reimbursement***

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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.

Results: We obtained management's representation that the listing provided is complete.

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

Results: We obtained the School's policies and procedures for travel expenses. The School's policy allows for reimbursement of mileage at the IRS rate, which is currently the same as the GSA rate. The School's policy allows for meal per diem totaling a not-to-exceed value of \$80 (\$15 for breakfast, \$25 for lunch, and \$40 for dinner) for standard travel that is not federally funded. The School's policy allows for meal per diem equal to the rate stated in the Louisiana Travel Guide for federally funded travel. The School's standard travel rate exceeds the GSA Meals and Incidental Expense (M&IE) rate for most destinations. The School's federal travel rate may exceed the GSA Meals and Incidental Expense (M&IE) rate for certain destinations.

Management's Response: When the School implemented its Travel Policy, it did so using the Louisiana Travel Guide issued by the State's Department of Administration. The School will review the current policy and update as deemed necessary in conjunction with GSA rates.

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.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- 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).
- 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.
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted that all transactions selected were supported by an original itemized receipt and documentation of a business/public purpose.

We noted no exceptions in reviewing the transactions' detail against the requirement of Article 7, Section 14 of the Louisiana Constitution.

We noted that for one (1) transaction sampled, the GSA per diem rate was \$59/day for travel to Houston, Texas, but the employee was reimbursed at a rate of \$61/day in accordance with policy.

We noted that for two (2) transactions sampled, review and approval was not documented on the reimbursement request form. We noted that for one (1) transaction sampled, the person receiving the reimbursement approved the reimbursement request form.

Management's Response: The School's Travel Policy indicates that the initial request to travel/attend a professional development conference must be approved by the appropriate supervisor before the Business Office books the conference registration and associated travel arrangements. Operating under that initial supervisory approval of the travel, the Business Office processes the employee the appropriate reimbursement based on the per diem as dictated within the School's Travel Policy. As indicated in management's response to #18, updates to the Travel Policy based on the results noted will be considered and implemented as deemed necessary.

## ***Contracts***

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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.

Results: We obtained management's representation that the listing provided is complete.

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.

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

Results: We noted a formal/written contract existed for all sampled contracts.

We noted that contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

We noted that contracts selected included no amendments within the fiscal year.

We noted that the largest payment from each contract agreed to the supporting invoice and contract terms.

We noted that the CFO, the Head of School, and the board of the School can approve and execute contracts. We noted that the School's policies and procedures require board approval prior to contract execution. Evidence of this approval was available for all contracts selected.

### ***Payroll and Personnel***

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

Results: We obtained management's representation that the listing provided is complete.

We noted that compensation paid to each employee sampled was in accordance with their employment contract and pay rate structure.

We noted that changes to pay rates/salaries were approved by the board of the School in accordance with policy.

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

Results: We noted that daily attendance and leave for each employee sampled was documented.

We noted that supervisor approval of employee leave is not required nor documented. As such, no approval was noted for the twenty-five (25) employees selected. We further noted that it is required for employees to inform, in writing via email, the designated front office support staff and suggested that the employee include their respective immediate supervisor when scheduled or unscheduled leave is taken. The School does not require a specific form to be filled out. The designated front office support staff submits the attendance and leave information to the Business Office to track and record leave deductions through the payroll process.

We noted that the School maintained a schedule of leave records during the fiscal year for all employees selected.

Management's Response: The School does not require supervisory approval of leave as form of professional courtesy extended to the faculty and staff. However, procedures are in place to deduct compensation when an employee exceeds the allocated annual leave. These procedures include informing the employee that their leave balance is nearing the annual total and a reminder that, if the balance is exceeded, the appropriate compensation deduction will be processed. The appropriate Assistant Principal and/or the Head of School will be notified by the Business Office of leave balances that are nearing allocated limits and once the balances have been exceeded.

We have found through practice that upper management has been aware of the occurrences of excessive leave and has been proactive in solutions to ensure student instruction is not negatively affected. In the very few instances where excessive leave has occurred, outside of approved family leave situations, remedies specific to that employee have been enacted. It is the opinion of management that enacting a required and documented supervisor approval of leave would have a negative impact on an otherwise positive professional work place practice.

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.

Results: We obtained management's representation that the listing provided is complete. Termination payments for employees selected were made in accordance with the employees' contracts and were approved by management.

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.

Results: The appropriate employee and employer portions of payroll taxes and retirement contributions were submitted to the applicable agencies by the required deadlines for all payroll tax and retirement contribution supporting documentation sampled.

### ***Ethics (excluding nonprofits)***

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

Results: This section is not applicable as the School is a nonprofit.

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.

Results: This section is not applicable as the School is a nonprofit.

***Debt Service (excluding nonprofits)***

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

Results: This section is not applicable as the School is a nonprofit.

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.

Results: This section is not applicable as the School is a nonprofit.

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.

Results: This section is not applicable as the School is a nonprofit.

***Other***

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

Results: We noted no instances of misappropriation of public funds or assets, per inquiry with management and the School's board.

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

Results: We noted the LLA hotline notice per LRS 24:523.1 posted on the School's website and at its primary campus.

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

Results: No exceptions were noted in obtained management representation.

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This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. 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 the School 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.

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

A Professional Accounting Corporation

Covington, LA  
October 25, 2017