
SOUTH LOUISIANA CHARTER FOUNDATION, INC.

BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of financial position, combining statement of activities and changes in net assets, South Baton Rouge Charter Academy statement of functional expenses, Iberville Charter Academy statement of functional expenses, and the schedule of compensation, benefits and other payments to board president presented on pages 16-20, as well as the schedule of expenditures of federal awards presented on pages 25-26, required by Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The performance and statistical data on pages 35-37 are presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matters

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 23, 2019

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

ASSETS

CURRENT ASSETS:

Cash	\$	164,226
Cash - restricted		39,790
Grants receivable:		
Federal programs		1,428,546
Other receivables		5,289
Due from other schools		1,674
Prepaid expenses and other		4,452
Total current assets		1,643,977

PROPERTY AND EQUIPMENT (NET):

18,771,665

NON-CURRENT ASSETS:

Utility deposit		30,390
Total non-current assets		30,390

\$ 20,446,032

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable		95,715
Accrued payroll and related expenses		523,921
Accrued other expenses (see note 10)		19,032
Due to CSUSA		1,001,878
Due to other schools		1,810
Accrued interest payable - short term portion		600,845
Capital lease payable - short term portion		169,868
Deferred revenues		6,549
Funds held in custody		50,119
Total current liabilities		2,469,737

LONG TERM LIABILITIES:

Accrued interest payable		730,991
Capital lease payable		23,063,665
Total long-term liabilities		23,794,656

NET DEFICIT:

Without donor restrictions		(5,818,361)
Total net deficit		(5,818,361)

\$ 20,446,032

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

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

Revenue, Grants and Other Support	
Minimum Foundation Program (MFP)	\$ 11,086,225
Federal grants	1,190,971
State grants	15,080
Paid meals	1,949
Before and aftercare fees	22,181
E-rate revenues	63,465
Contribution from CSUSA (see note 7)	667,263
Other income	27,022
Total revenues and support without donor restrictions	<u>13,074,156</u>
Expenses:	
Program services:	
Regular education	8,981,282
Special education	1,495,034
Other education	257,449
Supporting services:	
Management and general	<u>2,993,604</u>
Total expenses	<u>13,727,369</u>
Change in net assets	(653,213)
NET DEFICIT AT BEGINNING OF THE YEAR	<u>(5,165,148)</u>
NET DEFICIT AT END OF THE YEAR	<u>\$ (5,818,361)</u>

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

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

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Management & General</u>	
Salaries	\$ 4,116,004	\$ 635,852	\$ 213,137	\$ 460,902	\$ 5,425,895
Benefits	661,189	99,688	16,391	90,490	867,758
Professional Services	2,961	318	-	55,511	58,790
Contracted/Vendor Services	89,223	324,155	-	53,205	466,583
Professional Development	135,425	14,552	-	-	149,977
Supplies/Materials	336,613	36,170	155	40,786	413,724
Utilities	323,607	27,953	-	9,561	361,121
Repairs and Maintenance	568,129	61,047	-	20,879	650,055
Insurance	91,134	9,793	-	3,428	104,355
Interest	-	-	-	2,120,213	2,120,213
Depreciation	1,032,132	110,906	-	37,932	1,180,970
School Board Fees	138,643	14,898	-	-	153,541
Travel	30,154	3,241	-	17,959	51,354
Marketing/Recruitment	76,332	8,203	-	2,727	87,262
Food Service	415,457	44,642	5,320	3,953	469,372
Technology	51,085	5,489	-	29,557	86,131
Office expense	43,562	4,681	-	30,102	78,345
Student Services	660,475	70,971	22,446	-	753,892
Property Tax	209,157	22,475	-	7,686	239,318
Other	-	-	-	8,713	8,713
	<u>\$ 8,981,282</u>	<u>\$ 1,495,034</u>	<u>\$ 257,449</u>	<u>\$ 2,993,604</u>	<u>\$ 13,727,369</u>

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

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

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in net assets	\$ (653,213)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,180,970
Decrease (increase) in:	
Federal program receivables	(755,132)
Other receivables	55,584
Due to CSUSA	(1,064,917)
Due from CSUSA affiliate	1,794,657
Prepaid expenses and other	12,103
Other assets	2,163
Increase (decrease) in:	
Accounts payable	41,743
Accrued payroll and related expenses	119,534
Accrued other expenses	(182,132)
Funds held in custody	(20,843)
Net cash provided by operating activities	<u>530,517</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of fixed assets	(206,940)
Net cash used in investing activities	<u>(206,940)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Payments on capital leases	(128,793)
Interest on capital leases	(652,016)
Net cash used in financing activities	<u>(780,809)</u>
Net decrease in cash	(457,232)
Beginning cash balance	<u>661,248</u>
Ending cash balance	<u>\$ 204,016</u>
<u>Supplemental disclosure of cash flow information</u>	
Interest paid	<u>\$ 2,120,214</u>
<u>Reconciliation of Cash Balances</u>	
Cash	\$ 164,226
Cash - restricted	39,790
Ending cash balance	<u>\$ 204,016</u>

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2018-2019 school year, the Foundation operated Iberville Charter Academy (Iberville), under A Type 2 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board. The Iberville and South Baton Rouge charter agreements will terminate on June 30, 2022, unless extended at the discretion of BESE. Collectively, the schools had enrollment of approximately 908 students for the 2018-2019 school year.

New Accounting Pronouncement

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

Basis of Accounting

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

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

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

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

Functional Allocation of Expenses by Nature and Class

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses by Nature and Class (continued)

The expenses that are allocated include the following:

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

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the disclosures, and the reported amounts of assets and liabilities, and the reported revenues and expenditures. Significant estimates have been applied in the determination of depreciation in the preparation of the accompanying financial statements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Funds Held in Custody

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management has concluded that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2019.

Public Support and Revenue Recognition

The Foundation receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Foundation receives Minimum Foundation Program (MFP) funding from the Louisiana Department of Education through the Louisiana Board of Elementary and Secondary Education according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are without donor restrictions. A substantial portion of federal grants are expenditure driven and as such is classified as without donor restrictions in the Statement of Activities and Changes in Net Assets. The Foundation also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served. Before and after care fees are recognized when earned.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions whose donor restrictions are met in the same reporting period are reported as without donor restrictions.

Cash

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2019, the balances in the cash accounts did not exceed the amount insured by the Federal Deposit Insurance Corporation. Management believes the credit risk associated with these deposits is minimal. Restricted cash represents amounts held by the Foundation for the Agency fund.

Advertising

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$84,902 during the fiscal year ended June 30, 2019.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

Tax Exempt Status

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2019.

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

Accounting Changes not yet Adopted

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

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for annual periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021.

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

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY

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

Current financial assets at year end:

Cash and cash equivalents	\$ 164,226
Grants receivable	<u>1,428,546</u>
Financial assets available to meet general expenditures over the next twelve months	\$ 1,592,772

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

3. GRANTS RECEIVABLE

Receivables due from other governmental agencies at June 30, 2019, consists of \$160,913, representing amounts due from the Louisiana Department of Education for federal pass through grants under the Title I program, Title II program, Title IV program and IDEA program. An additional \$89,119 was due from the U.S. Department of Agriculture through the Louisiana Department of Education under the National School Lunch Program. The remaining \$1,178,514 is due from the Louisiana Department of Education for Minimum Foundation Program revenues earned but not paid.

4. PROPERTY AND EQUIPMENT

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

Buildings and leasehold improvements	\$ 23,189,985
Furniture & fixtures	973,677
Equipment and software	<u>1,185,096</u>
Total cost	\$ 25,348,758
Less: Accumulated depreciation	<u>(6,577,093)</u>
Total Property and equipment	\$ <u>18,771,665</u>

Depreciation expense for the year ending June 30, 2019, was \$1,180,970.

5. FUNDS HELD IN CUSTODY

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

6. CONCENTRATION OF SUPPORT

The Foundation received 84.79% of its support from MFP funding and 7.05% of its support from federal grants passed through the Louisiana Department of Education during the year ending June 30, 2019. The loss or significant reduction of state and federal funding could have a material adverse effect on the Foundation's operations.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS

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

At June 30, 2019, the Foundation owed CSUSA \$1,796,470 related to operation and trade payables. These amounts have been netted against amounts owed to the Foundation from CSUSA of \$794,592. The net amount of \$1,001,878 is reflected as amounts due to CSUSA in the statement of financial position.

Addendums to the management agreements between the Foundation and CSUSA were signed on May 31, 2016. The addendums allow CSUSA to recoup previously reduced management fees in future years, provided the school budgets can reasonably accommodate recoupment of all or a portion of the accumulated difference between the initial budgeted fees and the actual fees paid. Iberville's management fees were reduced by \$688,832 and South Baton Rouge's management fees were reduced by \$1,020,186 for the year ended June 30, 2019.

During the year ended June 30, 2019, CSUSA made a one-time cash contribution in the amount of \$667,263 to Iberville Charter Academy for general support activities.

For the year ended June 30, 2019, the amount of compensation paid to CSUSA totaled \$152,015 for operating the school as well as the aftercare program. These amounts are included in contracted and vendor services on the statement of functional expenses.

8. CAPITAL LEASE

The Foundation has entered into a 20-year capital lease agreement for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Effective July 1, 2017, there was a lease incentive provided to the schools which resulted in a reassessment of the lease agreement. The result of the reassessment is an updated interest rate for the lease at the date of reassessment on the basis of the remaining lease term and remaining payments.

For Iberville Charter, interest on the original lease was 9.779% and changed to 8.284%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on November 1, 2021. The reassessment of the lease agreement resulted in a decrease in payments of \$906,225, which was paid to the Foundation in October 2018. The lease agreement expires on June 1, 2034.

South Baton Rouge Charter Academy Interest on the original lease was 9.845% and changed to 8.687%. Principal payments which commenced on January 1, 2018 per the original lease, changed to commence on April 1, 2021. The reassessment of the lease agreement resulted in a decrease in payments of \$506,504, which was paid to the Foundation in October 2018. The lease agreement expires on June 1, 2034.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASE (continued)

Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of these leases. Accrued interest payable related to these capital leases in the amount of \$1,331,836 was outstanding at June 30, 2019.

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

The future minimum lease payments under these capital lease obligations as of June, 30, 2019, are as follows:

Year ending June 30,	Amount
2020	\$ 2,831,351
2021	2,695,272
2022	2,735,700
2023	2,776,740
2024	2,818,380
Thereafter	30,616,896
Total minimum lease payments	44,474,339
Less: amounts representing interest	(21,240,806)
Present value of minimum lease payments	\$ 23,233,533
Less: current portion	(169,868)
Capital lease payable – long term	\$ 23,063,665

9. FEDERAL GRANTS

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

US Department of Education	
Title I	\$ 450,828
IDEA and Preschool Grants	183,554
Striving Leaders Comprehensive Literacy	2,813
	637,195
US Department of Agriculture	
National School Lunch & Breakfast Program	553,776
Total	\$ 1,190,971

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

10. CONTINGENT LIABILITIES

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2019.

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

In September 2014, the Iberville Parish School Board and the Louisiana Association of Educators filed separate lawsuits against Louisiana Board of Elementary and Secondary Education (BESE) and the Louisiana Department of Education (LDOE) challenging the constitutionality of the state's ability to use the MFP to fund Type 1B and all Type 2 charter schools. The District Court ruled in favor of BESE and LDOE. The Louisiana Supreme Court upheld the District Court ruling in favor of BESE and LDOE which dismissed the constitution challenge to funding New Type 2 Charter Schools. The lawsuit is concluded.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 23, 2019, and determined that there are not items that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

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

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash	\$ 46,249	\$ 117,977	\$ -	\$ 164,226
Cash - restricted	27,325	12,465	-	39,790
Grants receivable:				
Federal programs	1,328,180	100,366	-	1,428,546
Other receivables- E-rate	2,355	2,934	-	5,289
Due from other schools	500	1,174	-	1,674
Prepaid expenses and other	-	4,452	-	4,452
Total current assets	<u>1,404,609</u>	<u>239,368</u>	<u>-</u>	<u>1,643,977</u>
<u>PROPERTY AND EQUIPMENT (NET):</u>	<u>10,315,867</u>	<u>8,455,798</u>	<u>-</u>	<u>18,771,665</u>
<u>NON-CURRENT ASSETS:</u>				
Utility deposit	15,390	15,000	-	30,390
Total non-current assets	<u>15,390</u>	<u>15,000</u>	<u>-</u>	<u>30,390</u>
 Total assets	 <u>\$ 11,735,866</u>	 <u>\$ 8,710,166</u>	 <u>\$ -</u>	 <u>\$ 20,446,032</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ 59,598	\$ 36,117	\$ -	\$ 95,715
Accrued payroll and related expenses	337,646	186,275	-	523,921
Accrued other expenses- see Note 10	17,763	1,269	-	19,032
Due to CSUSA	989,091	12,787	-	1,001,878
Due to other schools	1,810	-	-	1,810
Accrued interest payable - short term portion	339,347	261,498	-	600,845
Capital lease payable - short term portion	93,714	76,154	-	169,868
Deferred revenues	-	6,549	-	6,549
Funds held in custody	37,654	12,465	-	50,119
Total current liabilities	<u>1,876,623</u>	<u>593,114</u>	<u>-</u>	<u>2,469,737</u>
<u>LONG TERM LIABILITIES:</u>				
Accrued interest payable	312,658	418,333	-	730,991
Capital lease payable	13,443,862	9,619,803	-	23,063,665
Total long-term liabilities	<u>13,756,520</u>	<u>10,038,136</u>	<u>-</u>	<u>23,794,656</u>
<u>NET DEFICIT:</u>				
Without donor restriction	(3,897,277)	(1,921,084)	-	(5,818,361)
Total net deficit	<u>(3,897,277)</u>	<u>(1,921,084)</u>	<u>-</u>	<u>(5,818,361)</u>
 Total liabilities and net deficit	 <u>\$ 11,735,866</u>	 <u>\$ 8,710,166</u>	 <u>\$ -</u>	 <u>\$ 20,446,032</u>

See independent auditors' report.

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

	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Revenue, Grants and Other Support				
Minimum Foundation Program (MFP)	\$ 7,098,462	\$ 3,987,763	-	\$ 11,086,225
Federal grants	640,869	550,102	-	1,190,971
State Grants	15,080	-	-	15,080
Paid meals	1,949	-	-	1,949
Before and aftercare fees	11,497	10,684	-	22,181
E-rate revenues	28,255	35,210	-	63,465
Contribution from CSUSA	-	667,263	-	667,263
Other income	18,562	8,460	-	27,022
Total revenues, grants, and other support without donor restrictions	<u>7,814,674</u>	<u>5,259,482</u>	<u>-</u>	<u>13,074,156</u>
Expenses:				
Program services:				
Regular education	5,711,744	3,269,538	-	8,981,282
Special education	861,712	633,322	-	1,495,034
Other education	205,042	52,407	-	257,449
Supporting services:				
Management and general	<u>1,758,175</u>	<u>1,235,429</u>	<u>-</u>	<u>2,993,604</u>
Total expenses	<u>8,536,673</u>	<u>5,190,696</u>	<u>-</u>	<u>13,727,369</u>
Change in net assets	(721,999)	68,786	-	(653,213)
<u>NET DEFICIT AT BEGINNING OF THE YEAR</u>	<u>(3,175,278)</u>	<u>(1,989,870)</u>	<u>-</u>	<u>(5,165,148)</u>
<u>NET DEFICIT AT END OF THE YEAR</u>	<u>\$ (3,897,277)</u>	<u>\$ (1,921,084)</u>	<u>\$ -</u>	<u>\$ (5,818,361)</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
SOUTH BATON ROUGE CHARTER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 2,584,471	\$ 367,300	\$ 180,949	\$ 237,143	\$ 3,369,863
Benefits	441,820	54,973	9,073	54,695	560,561
Professional Services	1,531	164	-	28,200	29,895
Contracted/Vendor Services	89,223	163,500	-	53,205	305,928
Professional Development	9,333	1,003	-	-	10,336
Supplies/Materials	197,790	21,253	-	29,113	248,156
Utilities	164,542	14,644	-	5,009	184,195
Repairs and Maintenance	357,682	38,434	-	13,145	409,261
Insurance	56,272	6,047	-	2,120	64,439
Interest	-	-	-	1,248,410	1,248,410
Depreciation and amortization	735,899	79,075	-	27,045	842,019
School Board Fees	129,928	13,961	-	-	143,889
Travel	18,050	1,940	-	10,850	30,840
Marketing/Recruitment	39,661	4,262	-	1,418	45,341
Food Service	271,748	29,200	3,572	2,244	306,764
Technology	34,294	3,685	-	20,192	58,171
Office expense	25,224	2,711	-	17,802	45,737
Student Services	427,314	45,917	11,448	-	484,679
Property Tax	126,962	13,643	-	4,665	145,270
Other	-	-	-	2,919	2,919
	<u>\$ 5,711,744</u>	<u>\$ 861,712</u>	<u>\$ 205,042</u>	<u>\$ 1,758,175</u>	<u>\$ 8,536,673</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
IBERVILLE CHARTER ACADEMY
IBERVILLE STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Other Education	Management & General	
Salaries	\$ 1,531,533	\$ 268,552	\$ 32,188	\$ 223,759	\$ 2,056,032
Benefits	219,369	44,715	7,318	35,795	307,197
Professional Services	1,430	154	-	27,311	28,895
Contracted/Vendor Services	-	160,655	-	-	160,655
Professional Development	126,092	13,549	-	-	139,641
Supplies/Materials	138,823	14,917	155	11,673	165,568
Utilities	159,065	13,309	-	4,552	176,926
Repairs and Maintenance	210,447	22,613	-	7,734	240,794
Insurance	34,862	3,746	-	1,308	39,916
Interest	-	-	-	871,803	871,803
Depreciation and amortization	296,233	31,831	-	10,887	338,951
School Board Fees	8,715	937	-	-	9,652
Travel	12,104	1,301	-	7,109	20,514
Marketing/Recruitment	36,671	3,941	-	1,309	41,921
Food Service	143,709	15,442	1,748	1,709	162,608
Technology	16,791	1,804	-	9,365	27,960
Office expense	18,338	1,970	-	12,300	32,608
Student Services	233,161	25,054	10,998	-	269,213
Property Tax	82,195	8,832	-	3,021	94,048
Other	-	-	-	5,794	5,794
	<u>\$ 3,269,538</u>	<u>\$ 633,322</u>	<u>\$ 52,407</u>	<u>\$ 1,235,429</u>	<u>\$ 5,190,696</u>

See independent auditors' report.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

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

Board President, John Pierre

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

See independent auditors' report.

SUPPLEMENTAL INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 23, 2019

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

South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the South Louisiana Charter Foundation's (the Foundation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2019. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on its Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 23, 2019

SOUTH LOUISIANA CHARTER FOUNDATION, INC.

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

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>CFDA Number</u>	<u>Expenditures 2019</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 18/19	10.555 ¹	\$ 423,903
National School Breakfast Program	LDE - 18/19	10.553 ¹	129,873
Total US Department of Agriculture			<u>553,776</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-19-T1-L4	84.010A	450,828
Pre School Development	28-19-35-L4	84.419	142,553
Striving Leaders Comprehensive Literacy		84.371C	2,813
IDEA	28-20-B1-ED	84.027	41,001
Total US Department of Education			<u>637,195</u>
Total Expenditures			<u>\$ 1,190,971</u>

¹ Child nutrition cluster - \$553,776

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

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

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

FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

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

NOTE B – DE MINIMUS COST RATE

During the year ended June 30, 2019, the South Louisiana Charter Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

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

FOR THE YEAR ENDED JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

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

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2018 – 01) School Activity Funds

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

Condition: In 3 out of a sample of 40 cash deposits selected for testing, each of the Foundation’s schools were unable to locate all deposit information. These total cash receipts sample items totaled \$1,473.

In 4 out of a sample of 40 cash deposits selected for testing, the teacher collection log and receipts did not agree to the Daily Cash Receipts Reconciliation.

In 1 out of a sample of 40 cash deposits selected for testing, the Daily Cash Receipts Reconciliation did not have evidence of approval by the School Operations Administrator.

For 1 out of a sample of 40 cash deposits selected for testing, the amount deposited did not agree to the cash collected per the Daily Cash Receipts Reconciliation.

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

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

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

Repeat Finding: Yes.

Current Status: Resolved.

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

A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2018 – 01) School Activity Funds (continued)

View of Responsible Official:

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

Current Status: Resolved.

2018 – 02) Approval of Pay Rates and Adequate Record Keeping

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

Condition: In 12 out of a sample of 40 employees selected for testing, the compensation letter was signed by the employee, but not signed by the Principal in accordance with their internal policy or was not signed in a timely manner.

For 1 out of a sample of 40 employees selected for testing, documentation of pay and position was unable to be provided.

For 10 out of a sample of 40 employees selected for testing, a difference was noted in the recalculation of pay.

For 3 out of a sample of 40 employees selected for testing, the employee's position did not agree with the fund and account charged.

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

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

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

Repeat Finding: Yes.

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

View of Responsible Official:

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

Current Status: Resolved.

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

None

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

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

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

The procedures and associated findings are as follows:

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

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

No exceptions noted.

Class Size Characteristics (Schedule 2)

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

Of the 10 classes selected for Iberville Charter Academy, we noted the following discrepancies in 8 classes between the roll book counts and the number reported in Schedule 2

Number of Students Reported	Roll Book Counts	Difference
21	20	1
19	18	1
17	16	1
11	10	1
19	17	2
17	18	(1)
13	14	(1)
21	20	1

Education Level of Public School Staff (NO SCHEDULE)

- We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education. We traced a sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the PEP data (or equivalent listing prepared by management).

For 4 out of the 25 individuals selected, the education level was not properly classified on the PEP data.

For 1 out of the 25 individuals selected, certification status was not properly classified on the PEP data.

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

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

For 7 out of the 25 individuals selected, the years of experience was not properly classified on the PEP

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

For 7 out of the 25 individuals selected, salary was not properly classified on the PEP data.

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 South Louisiana Charter Foundation as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 23, 2019

SOUTH LOUISIANA CHARTER FOUNDATION
BATON ROUGE, LOUISIANA

Schedules Required by State Law (R.S. 24:514 - Performance Measurement Data)
As of and for the Year Ended June 30, 2019

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

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

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

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

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana

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

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,238,375	
Other Instructional Staff Activities	96,726	
Instructional Staff Employee Benefits	231,591	
Purchased Professional and Technical Services	165,104	
Instructional Materials and Supplies	51,653	
Instructional Equipment	63,216	
Total Teacher and Student Interaction Activities		1,846,655

Other Instructional Activities 188,603

Pupil Support Activities	61,591	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		61,591

Instructional Staff Services	66,802	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		66,802

School Administration	371,089	
Less: Equipment for School Administration	-	
Net School Administration		371,089

Total General Fund Instructional Expenditures (Total of Column B) 2,534,750

Total General Fund Equipment Expenditures \$ 63,216

Certain Local Revenue Sources

Local Taxation Revenue:

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

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax		
Revenue Sharing - Other Taxes		
Revenue Sharing - Excess Portion		
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		-

Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue	\$	-

See Independent Accountants' Report

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

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana
Class Size Characteristics
As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	87.00%	61	13.00%	9	0.00%	-	0.00%	-
Elementary Activity Classes	85.00%	46	15.00%	8	0.00%	-	0.00%	-
Middle/Jr. High	89.00%	42	11.00%	5	0.00%	-	0.00%	-
Middle/Jr. High Activity Classes	80.00%	20	20.00%	5	0.00%	-	0.00%	-
High	0.00%	0	0.00%	-	0.00%	-	0.00%	-
High Activity Classes	0.00%	0	0.00%	-	0.00%	-	0.00%	-
Combination	100.00%	1	0.00%	-	0.00%	-	0.00%	-
Combination Activity Classes	100.00%	4	0.00%	-	0.00%	-	0.00%	-

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

See Independent Accountants' Report

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



South Louisiana Charter **FOUNDATION, INC.**

Board of Trustees

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Edmond Jordan

Secretary/Treasurer

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Alvin Washington

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Responses to differences notated in BESE AUPs

Class Size Characteristics (Schedule 2) – Of the 10 classes selected for Iberville Charter Academy, we noted discrepancies in 8 classes between the roll book counts and the numbers reported in Schedule 2

Response: The foundation and management will discuss with the appropriate personnel at this school of the importance of the accuracy between the roll book count and the number of students reported to BESE. We will provide whatever training and assistance that may be needed to ensure that this issue will be corrected for future schedules.

Education Level of Public School Staff – For 4 out of the 25 individuals selected, the education level was not properly classified on the PEP data. For 1 out of the 25 individuals selected, certification status was not properly classified on the PEP data.

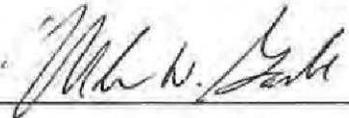
Response: The foundation and management will discuss with the appropriate personnel at each school of the importance of the accuracy of the data that is submitted on the PEP report for both certification status and education level. We will take whatever steps are necessary to ensure that these issues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

Experience of Public Principals, Assistant Principals and Full-Time Classroom Teachers – For 7 out of the 25 individuals selected, the years of experience was not properly classified on the PEP data.

Response: The foundation and management will discuss with the appropriate personnel at each school of the importance of the accuracy of the data that is submitted on the PEP report for years of experience. We provide whatever training and assistance that may be needed to ensure that this issue is corrected for future periods.

Public School Staff Data: Average Salaries – For 7 out of the 25 individuals selected, salary was not properly classified on the PEP data.

Response: The foundation and management will discuss with the appropriate personnel at each school of the importance of the accuracy of the classification of salary information on the PEP data. We will take whatever steps are necessary to ensure that this issue is corrected for future periods.

Signature:  Title: State Financial Director

SOUTH LOUISIANA CHARTER FOUNDATION

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

FOR THE YEAR ENDED JUNE 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the board of South Louisiana Charter Foundation (the Foundation) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Board's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

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

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

No exceptions noted.

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

No exceptions noted.



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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

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

No exceptions noted.

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

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

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

Not applicable to the Foundation.

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

The Foundation does not have written policies and procedures related to Disaster Recovery/Business Continuity as of or for the year ended 6/30/2019.

Board or Finance Committee

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

For two out of twelve months during the year, no board meeting was held.

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

For two out of twelve months during the year, no board meeting was held. No exceptions noted for the other months.

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

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

Bank Reconciliations

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

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

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

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

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

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

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

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

Collections

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

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

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

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

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

No exceptions noted.



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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

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

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.



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

For 8 of 10 collections tested, deposit was not made within one business day of receipt.

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

No exceptions noted.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

Not applicable. See response in step 11.

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

Not applicable. See response in step 11.

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

Not applicable. See response in step 11.

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

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

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

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

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

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

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

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

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

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

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

Contracts

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

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

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

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

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

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

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

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

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

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

Payroll and Personnel

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

A listing of employees/elected officials employed during the fiscal year was provided.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.



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

We selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

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

No exceptions noted.

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

For 5 out of 5 employees tested, we noted no supervisor approval of employee timesheets.

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

No exceptions noted.

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

A listing of employees/officials receiving termination payments during the fiscal period was provided.

No exceptions noted

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

No exceptions noted.

Ethics

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

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

No exceptions noted.

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

No exceptions noted.

Debt Service

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

Not applicable.

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

Not applicable.

Other

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

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

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

No exceptions noted.

Corrective Action

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

See attached responses.

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

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

Sincerely,

Postlethwaite & Netterville

December 23, 2019



South Louisiana Charter **FOUNDATION, INC.**

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Edmond Jordan

Secretary/Treasurer

Achilles Williams

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Alvin Washington

Melissa Sybrandt

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Lidia Conine

Response to Exceptions in Statewide AUP Results

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

Signature: _____

A handwritten signature in black ink, appearing to read "M. W. Stokely", is written over a horizontal line.

Title: _____

State Financial Director