

**CHOICE FOUNDATION,  
A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2017



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## Independent Auditor's Report

To the Board of Directors  
Choice Foundation, a Non-Profit Organization  
New Orleans, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 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 Choice Foundation, a Non-Profit Organization, as of June 30, 2017, and the results of its operations and its cash flows for the years then ended, in conformity 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 schedule of board of directors, the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), the combining statement of financial position, and the combining statement of activities are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA  
December 14, 2017

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Financial Position**  
**June 30, 2017**

**Assets**

**Current Assets**

Cash	\$ 2,202,536
Certificates of Deposit	501,362
Grants Receivable	292,335
Prepaid Expenses	158,658
Other Receivables	<u>22,803</u>

**Total Current Assets** 3,177,694

**Property and Equipment**

Furniture, Fixtures, and Equipment	1,641,373
Leasehold Improvements	1,623,087
Less: Accumulated Depreciation	<u>(2,634,070)</u>

**Net Property and Equipment** 630,390

**Total Assets** \$ 3,808,084

**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$ 147,168
Accrued Expenses	<u>792,661</u>

**Total Current Liabilities** 939,829

**Net Assets**

Unrestricted	2,791,094
Temporarily Restricted	<u>77,161</u>

**Total Net Assets** 2,868,255

**Total Liabilities and Net Assets** \$ 3,808,084

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
State and Local Public School Funding			
Minimum Foundation Program	\$ 19,670,047	\$ -	\$ 19,670,047
Federal Grants	2,043,053	-	2,043,053
Federal School Lunch Program	1,542,598	-	1,542,598
Private Grants and Donations	8,300	243,738	252,038
Other Income	266,612	-	266,612
Other State Funding	197,884	-	197,884
Interest Income	2,150	-	2,150
Net Assets Released from Restrictions	231,119	(231,119)	-
<b>Total Support and Revenue</b>	<b>23,961,763</b>	<b>12,619</b>	<b>23,974,382</b>
<b>Expenses</b>			
Program Services			
Regular Education Programs	9,797,618	-	9,797,618
Operation and Maintenance of Plant	3,784,471	-	3,784,471
Special Education Programs	3,230,698	-	3,230,698
School Administration	1,347,652	-	1,347,652
Food Service Operations	1,276,565	-	1,276,565
Special Programs	797,789	-	797,789
Pupil Support Services	495,269	-	495,269
Other Instructional Programs	64,764	-	64,764
Student Activities	2,720	-	2,720
Instructional Staff Services	1,789	-	1,789
Management and General			
Business Services	1,735,440	-	1,735,440
General Administration	732,530	-	732,530
Central Services	5,206	-	5,206
<b>Total Expenses</b>	<b>23,272,511</b>	<b>-</b>	<b>23,272,511</b>
Loss on Disposal of Property and Equipment	61,416	-	61,416
<b>Total Expenses and Losses</b>	<b>23,333,927</b>	<b>-</b>	<b>23,333,927</b>
<b>Change in Net Assets</b>	<b>627,836</b>	<b>12,619</b>	<b>640,455</b>
<b>Net Assets, Beginning of Year</b>	<b>2,163,258</b>	<b>64,542</b>	<b>2,227,800</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,791,094</b>	<b>\$ 77,161</b>	<b>\$ 2,868,255</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 640,455
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	116,029
Loss on Disposal of Property and Equipment	61,416
(Increase) Decrease in:	
Certificates of Deposit	(653)
Grants Receivable	232,749
Prepaid Expenses	57,431
Other Receivables	57,765
Increase (Decrease) in:	
Overdraft Payable	(38,712)
Accounts Payable	(171,532)
Accrued Expenses	70,503
	<u>1,025,451</u>
<b>Net Cash Provided by Operating Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Purchase of Property and Equipment	<u>(71,145)</u>
<b>Net Cash Used in Investing Activities</b>	
	<u>(71,145)</u>
<b>Cash Flows from Financing Activities</b>	
Payments on Lines of Credit	740,500
Proceeds from Lines of Credit	<u>(740,500)</u>
<b>Net Cash Provided by Financing Activities</b>	
	<u>-</u>
<b>Net Increase in Cash</b>	954,306
<b>Cash, Beginning of Year</b>	<u>1,248,230</u>
<b>Cash, End of Year</b>	<u>\$ 2,202,536</u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Cash Paid for Interest	<u>\$ 18,173</u>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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

**Organization**

Choice Foundation, a Non-Profit Organization (the Foundation), d/b/a Lafayette Academy Charter School, Esperanza Charter School, and McDonogh 42 Elementary Charter School, incorporated on November 29, 2004, is an educational institution organized to inform and educate citizens of Louisiana on how school choice initiatives can improve primary education in Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Lafayette Academy Charter School effective September 26, 2006, for an initial term of three years, which terminated on June 30, 2009. BESE granted the Foundation a two-year extension of Lafayette Academy Charter School's charter contract, which terminated on June 30, 2011. BESE granted the Foundation a three-year extension of Lafayette Academy Charter School's charter contract, which terminated on June 30, 2014. In December 2013, BESE granted the Foundation a five-year renewal of Lafayette Academy Charter School's contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in Louisiana Revised Statutes (LRS) 17:3992 and 3998. This extension was pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes and is currently scheduled to expire on June 30, 2019.

BESE approved the granting of a charter to the Foundation to operate Esperanza Charter School effective July 1, 2010, for an initial term of four years, which terminated on June 30, 2014. In December 2013, BESE granted a one-year extension of Esperanza Charter School's charter contract, which terminated on June 30, 2015. In July 2015, BESE granted the Foundation a seven-year renewal of Esperanza Charter School's contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LRS 17:3992 and 3998. This extension was pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes and is currently scheduled to expire on June 30, 2022.

BESE approved the granting of a charter to the Foundation to operate McDonogh 42 Elementary Charter School effective July 1, 2012, for an initial term of four years, which terminated on June 30, 2016. BESE conducted a fourth-year evaluation of McDonogh 42 Elementary Charter School and granted a one-year extension to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LRS 17:3992 and 3998, which terminated on June 30, 2017. The charter contract was not renewed upon completion of the McDonogh 42 Elementary Charter School's fifth year of operation.

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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

**Financial Statement Presentation**

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

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

**Basis of Accounting**

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

**Combination Policy**

The accompanying combining financial statements include the accounts of Choice Foundation and the three aforementioned d/b/a schools. All significant intercompany transactions and balances have been eliminated in the combination. The schools and Choice Foundation are collectively referred to as the Foundation.

**Use of Estimates**

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

**Advertising**

Advertising costs, which are included in general and administrative expenses, are expensed as incurred. Advertising expense totaled \$3,777, for the year ended June 30, 2017.

**Cash**

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Foundation's bank accounts from donations received from individuals or entities who specified the use of the contribution. At June 30, 2017, there were no restricted cash balances.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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

**Statement of Cash Flows**

For purposes of the statement of cash flows, the Foundation considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2017, the Foundation had no cash equivalents.

**Grants Receivable**

The Foundation received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at year-end are stated at unpaid balances for expenditures incurred during the year. As of June 30, 2017, based on management's experience with the collection of grants from the State of Louisiana, the grants receivable are considered to be fully collectible.

**Contributions and Revenue Recognition**

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

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the Foundation has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related costs by the Foundation, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The Foundation's primary source of funding is through the State's Minimum Foundation Program (MFP). The Foundation receives revenue from the state based on eligible students in attendance on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

**In-Kind Donations**

The Foundation records in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was estimated at \$1,500, for the year ended June 30, 2017.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Foundation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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

**Property and Equipment (Continued)**

The following are the estimated useful lives of the fixed assets of the Foundation:

<b>Asset</b>	<b>Useful Lives</b>
Furniture, Fixtures, and Equipment	7 Years
Leasehold Improvements	15 Years

**Income Taxes**

The Foundation is recognized by the Internal Revenue Service (IRS) as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

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

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

**Compensated Absences**

All teachers and staff are provided 10 days of paid annual sick leave. If the employee terminates at June 30<sup>th</sup>, the remaining days are forfeited. Accordingly, the Foundation does not recognize a liability for accumulated compensated absences.

**Reversionary Interest in Funds and Assets**

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agency are to be used for educational purposes as described in the Foundation's charter agreements and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Non-capital assets acquired by the Foundation with non-public funds will remain the property of the Foundation. Assets purchased with public funds obtained from public sources will automatically revert to the Board of Elementary and Secondary Education at the time this agreement is terminated. The Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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

**Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Foundation is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is evaluating the impact that ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. The new standard is effective for fiscal periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Foundation is currently evaluating the impact the adoption of this guidance will have on its financial statements.

**Note 2. Concentrations**

The Foundation received 82% of its revenues for the year ended June 30, 2017 from the State of Louisiana, subject to its charter agreement with the State. The Foundation received 15% of its revenues for the year ended June 30, 2017 from the federal government, subject to grant agreements with the United States Department of Agriculture, the United States Department of Education, and the United States Department of Health and Human Services.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 2. Concentrations (Continued)**

All of the students and employees of the Foundation live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be recovered. The Foundation periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2017, the Foundation's bank balances were \$2,916,986. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$250,000. The remaining deposits of \$2,847,513 were uninsured. The Foundation has not experienced any losses as a result of this practice.

**Note 3. Cash**

The Foundation's cash (book balance) at June 30, 2017, was \$2,202,536, which is stated at cost and approximates market.

**Note 4. Certificates of Deposit**

Certificates of deposit (CDs) represent CDs with initial maturities of greater than three months but less than one year. They are recorded at face value plus accrued interest, which approximates fair value. The Foundation's CDs (book balance) at June 30, 2017, were \$501,362.

**Note 5. Grants Receivable**

As of June 30, 2017, grants receivable totaled \$292,335, which were receivables for federal and state grants passed through the Louisiana Department of Education and New Schools for New Orleans. The stated balance is considered to be fully collectible.

**Note 6. Property and Equipment**

Depreciation expense totaled \$116,029, for the year ended June 30, 2017.

Prior to the end of the fiscal year, the board that governs the Foundation's charter agreement for McDonough 42 Elementary Charter School did not renew the charter agreement and granted control of its fixed assets to a separate organization. As a result, the Foundation returned control over all fixed assets to the State, per the reversionary interest identified in Note 1. The recorded loss on disposal of these assets totaled \$61,416, for the year ended June 30, 2017.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 7. Retirement Plan**

Effective July 1, 2011, the Foundation began offering a 401(k) plan to employees age 21 or older who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the IRS. The Foundation matches a percentage of elective contributions determined from year to year. Matching contributions are based on a discretionary percent of compensation or a discretionary dollar amount. The Foundation match for the year ended June 30, 2017, was 5% and amounted to \$515,678.

**Note 8. Leases**

Effective September 26, 2006, the Foundation entered into an agreement with the Recovery School District of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is a component of Lafayette Academy Charter School's charter agreement and is currently scheduled to expire on June 30, 2019.

Effective July 1, 2015, the Foundation entered into an agreement with the Recovery School District of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 4407 South Carrollton Avenue, New Orleans, Louisiana 70119. The lease agreement is a component of Esperanza Charter School's charter agreement and is currently scheduled to expire on June 30, 2022.

Effective October 22, 2013, the Foundation entered into a sublease agreement with McDonogh 42 School Facility, LLC, a subsidiary of the New Orleans School Facility Finance Foundation, which allowed the Foundation to use the facilities and its contents located at 1651 N. Tonti Street, New Orleans, Louisiana 70119. The lease terms became effective July 1, 2015, the date of completion of construction. The sublease required monthly payments of \$31,802, increasing by 1.5% annually, less debt service offsets paid by the Orleans Parish School Board and the Recovery School District, which currently total \$6,051 per month. The existence and continued compliance of McDonogh 42 Elementary Charter School's charter agreement, which expired June 30, 2017, is a component of this sublease agreement. Because this charter agreement was not renewed, the sublease agreement expired on June 30, 2017. Payments under this lease totaled \$365,082, for the year ended June 30, 2017.

Alterations made by the Foundation shall not diminish the value of the property at the time the alterations are approved, unless agreed upon by the Recovery School District of the State of Louisiana and the Foundation. Any physical additions or improvements to the property will become property of the State of Louisiana, Department of Education, Recovery School District. The Recovery School District of the State of Louisiana may require, at the expense of the Foundation, to remove these physical additions or improvements.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 8. Leases (Continued)**

The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

Use of the property is not recorded as an in-kind contribution from, or related rent expense to, the Recovery School District of the State of Louisiana. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Effective May 26, 2017, the Foundation entered into a lease agreement for office space in New Orleans, Louisiana. The lease was subsequently amended to include additional rental space. The lease currently calls for monthly payments of \$5,525 and expires on August 15, 2018. The lease provides for a two-year renewal option prior to expiration. Future obligations under this lease are as follows:

2018	\$	66,300
2019		<u>11,050</u>
<b>Total</b>	<b>\$</b>	<b><u>77,350</u></b>

**Note 9. Lines of Credit**

Lafayette Academy Charter School has a \$250,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (4.25% at June 30, 2017), adjusted daily. The line is unsecured. The balance on the line of credit was \$-0-, at June 30, 2017.

Esperanza Charter School has a \$175,000 line of credit with Capital One Bank. The line has a maturity date of June 24, 2018 and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (4.25% at June 30, 2017), adjusted daily. The line is unsecured. The balance on the line of credit was \$-0-, at June 30, 2017.

McDonogh 42 Elementary Charter School had a \$175,000 line of credit with Capital One Bank. The line matured on June 24, 2017 and was closed on June 27, 2017. The line carried a variable rate of interest payable monthly at the Wall Street Journal prime rate (4.25% at June 30, 2017), adjusted daily. The line was unsecured. The balance on the line of credit was \$-0-, at June 30, 2017.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 10. Minimum Foundation Program (MFP)**

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the schools of the Foundation as of October 1<sup>st</sup>. This state-funded per pupil allocation is based on the most recently approved Minimum Foundation Program formula resolution. For the year ended June 30, 2017, the Foundation recognized revenue of \$8,487,128.

The Orleans Parish School Board (OPSB) provides funding to the State of Louisiana, collected from local agencies, which passes through to the Foundation as local MFP, which is determined on an annual basis based on the number of pupils enrolled as of October 1<sup>st</sup>. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2017, the Foundation recognized revenue of \$10,593,391.

The Foundation received certain special distributions from OPSB related to MFP true-up calculations performed by OPSB for previous years. For the year ended June 30, 2017, the Foundation recognized revenue of \$491,332 related to these distributions.

The Foundation received certain special distributions from the State as part of House Bill No. 1 and the MFP to provide funding to sustain certificated classroom teacher pay raises. For the year ended June 30, 2017, the Foundation recognized revenue of \$54,857 related to these distributions.

The Foundation received certain special distributions from the State from an appropriation outside of the MFP formula as part of the State Legislature's Act 14 of 2016. For the year ended June 30, 2017, the Foundation recognized revenue of \$43,339 related to these distributions.

**Note 11. Restrictions on Assets**

Temporarily restricted net assets are restricted by donors for specific time periods or specific programs, purposes, or to assist specific departments of the Foundation. These restrictions are considered to expire when payments for restricted purposes are made.

Temporarily restricted net assets totaled \$77,161, at June 30, 2017, and were available for KIDsmART, MaggieGeorge programs, Pro Bono Publico programs, Project Lead the Way, and New Orleans Jazz Heritage programs.

**Note 12. Commitments**

The Foundation has employment contracts, as are standard in the field of education, with most of its employees. The contracts for the current year expired June 30, 2017. All contracts provide for a minimum annual salary and benefits.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 13. Risk Management**

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

**Note 14. Charter Management Organization (CMO) Fees**

As the administrator of the schools, Choice Foundation incurs and records overhead costs on behalf of all of its schools. Management of the Foundation estimates an allocable amount of these costs to be charged to the schools on an annual basis using a predetermined rate and student head count. CMO fees allocated and charged to schools totaled \$1,799,909 during the year ended June 30, 2017. CMO fees have been eliminated from Other Income the accompanying combined financial statements as intercompany activity.

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 2017, and determined that no subsequent events occurred that require disclosure.

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

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

To the Board of Directors  
Choice Foundation, a Non-Profit Organization  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Choice Foundation, a Non-Profit Organization (the Foundation), the Louisiana Department of Education, and the Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Foundation for the fiscal year ended June 30, 2017, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514-1. Management of the 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.

Our procedures and associated findings are as follows:

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

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

Findings:

None.

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

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

#### Findings:

During our testing, we identified one (1) employee who was listed as uncertified but was certified as of the date of the schedule. The Foundation has corrected schedule 2 for this finding.

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

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

#### Findings:

None.

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

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

#### Findings:

None.

#### Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation and ROTC and rehired retiree status as well as full time equivalents as reported on the schedule and traced each to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

#### Findings:

During our testing, we identified one (1) employee who was listed as an instructor but was an instructional paraprofessional. The Foundation has corrected schedule 5 for this finding.

During our testing, we identified one (1) employee who was paid a salary that differed from the salary values recomputed from their personnel file. The Foundation has included the total amount paid to this employee on schedule 5, which includes excess payments of \$3,692.

#### Class Size Characteristics (Schedule 6)

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

#### Findings:

None.

#### Louisiana Educational Assessment Program (LEAP) - ELA and Math (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

#### Findings:

None.

#### Graduation Exit Exam (Schedule 8)

11. Not applicable.

Louisiana Educational Assessment Program (LEAP) - Science and Social Studies (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

Findings:

None.

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 Foundation, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA  
December 14, 2017

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**Schedules Required by Louisiana State Law**  
**(R.S. 24:514 - Performance and Statistical Data)**  
**As of and For the Year Ended June 30, 2017**

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

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

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

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

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

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

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

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

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

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

**Schedule 6 - Class Size Characteristics**

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

**Schedule 7 - Louisiana Educational Assessment Program (LEAP) - ELA and Math**

This schedule represents student performance testing data and includes summary scores by district for grades 3, 4, 5, 6, 7, and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

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

Not Applicable.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**Schedules Required by Louisiana State Law**  
**(R.S. 24:514 - Performance and Statistical Data)**  
**As of and For the Year Ended June 30, 2017**

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**Schedule 9 - Louisiana Educational Assessment Program (LEAP) - Science and Social Studies**

This schedule represents student performance testing data and includes a summary score for grades 3, 4, 5, 6, 7, and 8 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2017**

**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures**

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 5,886,696	
Other Instructional Staff Activities	1,350,375	
Instructional Staff Employee Benefits	1,419,729	
Purchased Professional and Technical Services	553,239	
Instructional Materials and Supplies	299,150	
Instructional Equipment	117,517	
	<hr/>	
<b>Total Teacher and Student Interaction Activities</b>		<b>\$ 9,626,706</b>
Other Instructional Activities		72,627
Pupil Support Services	495,207	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
<b>Net Pupil Support Services</b>		<b>495,207</b>
Instructional Staff Services	1,151	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
<b>Net Instructional Staff Services</b>		<b>1,151</b>
School Administration	1,052,417	
Less: Equipment for School Administration	-	
	<hr/>	
<b>Net School Administration</b>		<b>1,052,417</b>
		<hr/>
<b>Total General Fund Instructional Expenditures</b>		<b>\$ 11,248,108</b>
		<hr/>
<b>Total General Fund Equipment Expenditures</b>		<b>\$ 117,517</b>

**Certain Local Revenue Sources**

**Local Taxation Revenue**

Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
	<hr/>	
<b>Total Local Taxation Revenue</b>		<b>\$ -</b>

**Local Earnings on Investment in Real Property**

Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
<b>Total Local Earnings on Investment in Real Property</b>		<b>\$ -</b>

**State Revenue in Lieu of Taxes**

Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
<b>Total State Revenue in Lieu of Taxes</b>		<b>\$ -</b>

Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	-	
	<hr/>	
	<hr/>	

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Education Levels of Public School Staff  
 As of October 1, 2016

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	51	71%	54	74%	2	29%		
Master's Degree	21	29%	19	26%	5	71%		
Master's Degree +30								
Specialist in Education								
Ph. D. or Ed. D.								
<b>Total</b>	<b>72</b>	<b>100%</b>	<b>73</b>	<b>100%</b>	<b>7</b>	<b>100%</b>		

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Number and Type of Public Schools**  
**For the Year Ended June 30, 2017**

**Schedule 3**

<b>Type</b>	<b>Number</b>
Elementary	3
Middle/Jr. High	
Secondary	
Combination	
<b>Total</b>	<b>3</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Experience of Public Principals, Assistant Principals,  
 and Full Time Classroom Teachers  
 As of October 1, 2016**

**Schedule 4**

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	<b>Total</b>
Assistant Principals			1	1	2			<b>4</b>
Principals					2		1	<b>3</b>
Classroom Teachers	9	14	51	23	16	10	22	<b>145</b>
<b>Total</b>	<b>9</b>	<b>14</b>	<b>52</b>	<b>24</b>	<b>20</b>	<b>10</b>	<b>23</b>	<b>152</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Public School Staff Data: Average Salaries**  
**For the Year Ended June 30, 2017**

**Schedule 5**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	\$51,079	\$51,079
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	\$49,424	\$49,424
<b>Number of Teacher Full Time Equivalent (FTEs) Used in Computation of Average Salaries</b>	133.2	133.2

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Class Size Characteristics  
 As of October 1, 2016

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	89	14%	271	43%	273	43%		
Elementary Activity Classes	2	4%	24	50%	22	46%		

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Louisiana Educational Assessment Program (LEAP) -**  
**ELA and Math**  
**For the Year Ended June 30, 2017**

**Schedule 7**

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 3</b>						
Advanced	4%	0%	N/A	3%	4%	N/A
Mastery	34%	25%	N/A	28%	36%	N/A
Basic	24%	28%	N/A	31%	31%	N/A
Approaching Basic	25%	29%	N/A	23%	20%	N/A
Unsatisfactory	13%	18%	N/A	15%	9%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 4</b>						
Advanced	8%	5%	N/A	6%	4%	N/A
Mastery	43%	32%	N/A	35%	31%	N/A
Basic	23%	29%	N/A	28%	34%	N/A
Approaching Basic	15%	26%	N/A	21%	20%	N/A
Unsatisfactory	11%	8%	N/A	10%	11%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 5</b>						
Advanced	0%	1%	N/A	1%	1%	N/A
Mastery	24%	24%	N/A	10%	16%	N/A
Basic	34%	38%	N/A	30%	36%	N/A
Approaching Basic	27%	26%	N/A	39%	33%	N/A
Unsatisfactory	15%	11%	N/A	20%	14%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

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

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Louisiana Educational Assessment Program (LEAP) -  
 ELA and Math  
 For the Year Ended June 30, 2017

Schedule 7 (Continued)

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 6</b>						
Advanced	2%	4%	N/A	0%	3%	N/A
Mastery	17%	30%	N/A	11%	19%	N/A
Basic	23%	39%	N/A	26%	37%	N/A
Approaching Basic	38%	21%	N/A	40%	34%	N/A
Unsatisfactory	20%	6%	N/A	23%	7%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 7</b>						
Advanced	8%	8%	N/A	1%	1%	N/A
Mastery	28%	34%	N/A	7%	10%	N/A
Basic	28%	27%	N/A	39%	28%	N/A
Approaching Basic	22%	20%	N/A	36%	48%	N/A
Unsatisfactory	14%	11%	N/A	17%	13%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 8</b>						
Advanced	4%	3%	N/A	1%	0%	N/A
Mastery	37%	39%	N/A	11%	14%	N/A
Basic	26%	31%	N/A	23%	22%	N/A
Approaching Basic	18%	18%	N/A	39%	36%	N/A
Unsatisfactory	15%	9%	N/A	26%	28%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>

The LEAP was not administered for English Language Arts and Mathematics for the 2014-2015 school year.

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Graduation Exit Exam (GEE)**  
**For the Year Ended June 30, 2017**

**Schedule 8**

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

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Louisiana Educational Assessment Program (LEAP) -**  
**Science and Social Studies**  
**For the Year Ended June 30, 2017**

**Schedule 9**

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 3</b>						
Advanced	0%	1%	2%	3%	N/A	2%
Mastery	9%	9%	9%	14%	N/A	20%
Basic	40%	46%	45%	22%	N/A	56%
Approaching Basic	29%	27%	30%	34%	N/A	13%
Unsatisfactory	22%	17%	14%	27%	N/A	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 4</b>						
Advanced	2%	1%	2%	15%	N/A	6%
Mastery	17%	15%	19%	27%	N/A	21%
Basic	41%	47%	52%	19%	N/A	39%
Approaching Basic	25%	27%	17%	15%	N/A	20%
Unsatisfactory	15%	10%	10%	24%	N/A	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 5</b>						
Advanced	2%	2%	4%	0%	N/A	1%
Mastery	8%	3%	7%	4%	N/A	3%
Basic	38%	47%	49%	25%	N/A	48%
Approaching Basic	30%	26%	27%	27%	N/A	29%
Unsatisfactory	22%	22%	13%	44%	N/A	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Louisiana Educational Assessment Program (LEAP) -**  
**Science and Social Studies**  
**For the Year Ended June 30, 2017**

**Schedule 9 (Continued)**

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 6</b>						
Advanced	0%	1%	0%	1%	N/A	3%
Mastery	8%	6%	7%	5%	N/A	2%
Basic	42%	53%	54%	28%	N/A	47%
Approaching Basic	32%	28%	33%	28%	N/A	37%
Unsatisfactory	18%	12%	6%	38%	N/A	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 7</b>						
Advanced	2%	2%	1%	2%	N/A	1%
Mastery	12%	17%	15%	14%	N/A	7%
Basic	39%	44%	45%	32%	N/A	48%
Approaching Basic	25%	26%	24%	20%	N/A	26%
Unsatisfactory	22%	11%	15%	32%	N/A	18%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Students	%	%	%	%	%	%
<b>Grade 8</b>						
Advanced	2%	0%	0%	2%	N/A	0%
Mastery	7%	6%	5%	20%	N/A	2%
Basic	36%	34%	33%	26%	N/A	45%
Approaching Basic	34%	42%	43%	29%	N/A	34%
Unsatisfactory	21%	18%	19%	23%	N/A	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>100%</b>

The LEAP was not administered for Social Studies for the 2015-2016 school year.

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

## **SUPPLEMENTARY INFORMATION**

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Schedule of Board of Directors**  
**For the Year Ended June 30, 2017**

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<b><u>Board Members</u></b>	<b><u>Compensation</u></b>
Lisa Abel 700 Edwards Avenue New Orleans, LA 70123 504-729-2826	\$ -0-
Donald Beery 1340 Poydras Street, Suite 1900 New Orleans, LA 70112 504-586-3184	\$ -0-
Anthony Carter 201 St. Charles Avenue, Suite 3912 New Orleans, LA 70170 504-561-8927	\$ -0-
Pierre Conner III 201 St. Charles Avenue, Suite 1830 New Orleans, LA 70170 504-593-6108	\$ -0-
Blair DuQuesnay 1460 Energy Centre, 1100 Poydras Street New Orleans, LA 70163 504-528-3689	\$ -0-
Fritz Gomilla 1100 Poydras Street, 1460 Entergy Centre New Orleans, LA 70163 504-528-3685	\$ -0-
Hans Jonassen, Treasurer 4400 N. Galvez Street New Orleans, LA 70117 504-944-3366	\$ -0-

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Schedule of Board of Directors (Continued)**  
**For the Year Ended June 30, 2017**

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<b><u>Board Members</u></b>	<b><u>Compensation</u></b>
Wendy Lodrig 1010 Common Street, Suite 2950 New Orleans, LA 70122 504-565-5546	\$ -0-
Alysson Mills, Secretary 1817 Coliseum Street New Orleans, LA 70130 504-586-5252	\$ -0-
Margo Phelps 1416 Valmont Street New Orleans, LA 70115 504-899-4793	\$ -0-
James Swanson, President 201 St. Charles Avenue, Suite 4600 New Orleans, LA 70170-4600 504-586-5267	\$ -0-
Kate Werner 1137 Delachaise Street New Orleans, LA 70115 504-895-3024	\$ -0-
Robert Worley 601 Poydras Street, Suite 2075 New Orleans, LA 70130 504-310-7320	\$ -0-
Dewanda Young-Hill 1619 Jefferson Avenue New Orleans, LA 70115 504-894-8331	\$ -0-

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Schedule of Compensation, Benefits and Other Payments  
 to Agency Head  
 For the Year Ended June 30, 2017**

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**Agency Head**  
 Charles "Mickey" Landry, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	\$254,423
Benefits - Insurance	\$4,725
Benefits - Retirement	\$11,401
Benefits - Other	\$380
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Combining Statement of Financial Position**  
**June 30, 2017**

	Lafayette Academy Charter School	Esperanza Charter School	McDonogh 42 Elementary Charter School	Choice Foundation	Eliminations	Combining
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 1,721,907	\$ 78,992	\$ 314,574	\$ 87,063	\$ -	\$ 2,202,536
Certificates of Deposit	-	501,362	-	-	-	501,362
Grants Receivable	159,104	35,092	98,139	-	-	292,335
Prepaid Expenses	86,865	47,529	-	24,264	-	158,658
Intercompany Receivables	266,119	1,019,178	753	223,791	(1,509,841)	-
Other Receivables	14,132	-	8,671	-	-	22,803
<b>Total Current Assets</b>	<b>2,248,127</b>	<b>1,682,153</b>	<b>422,137</b>	<b>335,118</b>	<b>(1,509,841)</b>	<b>3,177,694</b>
<b>Property and Equipment</b>						
Furniture, Fixtures, and Equipment	1,518,476	122,897	-	-	-	1,641,373
Leasehold Improvements	1,283,332	339,755	-	-	-	1,623,087
Less: Accumulated Depreciation	(2,365,429)	(268,641)	-	-	-	(2,634,070)
<b>Net Property and Equipment</b>	<b>436,379</b>	<b>194,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>630,390</b>
<b>Total Assets</b>	<b>\$ 2,684,506</b>	<b>\$ 1,876,164</b>	<b>\$ 422,137</b>	<b>\$ 335,118</b>	<b>\$ (1,509,841)</b>	<b>\$ 3,808,084</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 66,733	\$ 37,820	\$ 40,353	\$ 2,262	\$ -	\$ 147,168
Accrued Expenses	378,516	187,704	221,078	5,363	-	792,661
Intercompany Payables	859,225	223,791	160,706	266,119	(1,509,841)	-
<b>Total Current Liabilities</b>	<b>1,304,474</b>	<b>449,315</b>	<b>422,137</b>	<b>273,744</b>	<b>(1,509,841)</b>	<b>939,829</b>
<b>Net Assets</b>						
Unrestricted	1,337,937	1,416,783	-	36,374	-	2,791,094
Temporarily Restricted	42,095	10,066	-	25,000	-	77,161
<b>Total Net Assets</b>	<b>1,380,032</b>	<b>1,426,849</b>	<b>-</b>	<b>61,374</b>	<b>-</b>	<b>2,868,255</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,684,506</b>	<b>\$ 1,876,164</b>	<b>\$ 422,137</b>	<b>\$ 335,118</b>	<b>\$ (1,509,841)</b>	<b>\$ 3,808,084</b>

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2017**

	Lafayette Academy Charter School			Esperanza Charter School			McDonogh 42 Elementary Charter School		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>									
State and Local Public School Funding									
Minimum Foundation Program	\$ 9,278,900	\$ -	\$ 9,278,900	\$ 5,271,901	\$ -	\$ 5,271,901	\$ 5,119,246	\$ -	\$ 5,119,246
Federal Grants	967,260	-	967,260	473,777	-	473,777	602,016	-	602,016
Federal School Lunch Program	798,690	-	798,690	361,713	-	361,713	382,195	-	382,195
Private Grants and Donations	-	132,225	132,225	-	17,800	17,800	8,300	-	8,300
Other Income	203,474	-	203,474	17,023	-	17,023	43,786	-	43,786
Other State Funding	97,648	-	97,648	8,484	-	8,484	91,752	-	91,752
Interest Income	1,497	-	1,497	653	-	653	-	-	-
Net Assets Released from Restrictions	90,130	(90,130)	-	7,734	(7,734)	-	-	-	-
<b>Total Support and Revenue</b>	<b>11,437,599</b>	<b>42,095</b>	<b>11,479,694</b>	<b>6,141,285</b>	<b>10,066</b>	<b>6,151,351</b>	<b>6,247,295</b>	<b>-</b>	<b>6,247,295</b>
<b>Expenses</b>									
Program Services									
Regular Education Programs	5,192,414	-	5,192,414	2,302,050	-	2,302,050	2,282,848	-	2,282,848
Operation and Maintenance of Plant	2,325,963	-	2,325,963	1,404,340	-	1,404,340	1,720,595	-	1,720,595
Special Education Programs	1,501,859	-	1,501,859	861,678	-	861,678	663,998	-	663,998
School Administration	494,602	-	494,602	330,589	-	330,589	205,945	-	205,945
Food Service Operations	637,342	-	637,342	317,095	-	317,095	322,128	-	322,128
Special Programs	238,710	-	238,710	305,658	-	305,658	253,421	-	253,421
Pupil Support Services	233,433	-	233,433	132,989	-	132,989	128,847	-	128,847
Other Instructional Programs	13,643	-	13,643	26,055	-	26,055	25,066	-	25,066
Student Activities	2,497	-	2,497	223	-	223	-	-	-
Instructional Staff Services	1,089	-	1,089	-	-	-	700	-	700
Management and General									
Business Services	467,572	-	467,572	176,543	-	176,543	202,590	-	202,590
General Administration	140,317	-	140,317	71,662	-	71,662	73,510	-	73,510
Central Services	159	-	159	594	-	594	2,065	-	2,065
<b>Total Expenses</b>	<b>11,249,600</b>	<b>-</b>	<b>11,249,600</b>	<b>5,929,476</b>	<b>-</b>	<b>5,929,476</b>	<b>5,881,713</b>	<b>-</b>	<b>5,881,713</b>
Loss on Disposal of Property and Equipment	-	-	-	-	-	-	61,416	-	61,416
<b>Total Expenses and Losses</b>	<b>11,249,600</b>	<b>-</b>	<b>11,249,600</b>	<b>5,929,476</b>	<b>-</b>	<b>5,929,476</b>	<b>5,943,129</b>	<b>-</b>	<b>5,943,129</b>
<b>Change in Net Assets</b>	<b>187,999</b>	<b>42,095</b>	<b>230,094</b>	<b>211,809</b>	<b>10,066</b>	<b>221,875</b>	<b>304,166</b>	<b>-</b>	<b>304,166</b>
<b>Net Assets, Beginning of Year</b>	<b>1,149,938</b>	<b>-</b>	<b>1,149,938</b>	<b>1,204,974</b>	<b>-</b>	<b>1,204,974</b>	<b>(304,166)</b>	<b>-</b>	<b>(304,166)</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,337,937</b>	<b>\$ 42,095</b>	<b>\$ 1,380,032</b>	<b>\$ 1,416,783</b>	<b>\$ 10,066</b>	<b>\$ 1,426,849</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Combining Statement of Activities (Continued)**  
**For the Year Ended June 30, 2017**

	Choice Foundation			Eliminating			Combining		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>									
State and Local Public School Funding									
Minimum Foundation Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,670,047	\$ -	\$ 19,670,047
Federal Grants	-	-	-	-	-	-	2,043,053	-	2,043,053
Federal School Lunch Program	-	-	-	-	-	-	1,542,598	-	1,542,598
Private Grants and Donations	-	93,713	93,713	-	-	-	8,300	243,738	252,038
Other Income	1,802,238	-	1,802,238	(1,799,909)	-	(1,799,909)	266,612	-	266,612
Other State Funding	-	-	-	-	-	-	197,884	-	197,884
Interest Income	-	-	-	-	-	-	2,150	-	2,150
Net Assets Released from Restrictions	133,255	(133,255)	-	-	-	-	231,119	(231,119)	-
<b>Total Support and Revenue</b>	<b>1,935,493</b>	<b>(39,542)</b>	<b>1,895,951</b>	<b>(1,799,909)</b>	<b>-</b>	<b>(1,799,909)</b>	<b>23,961,763</b>	<b>12,619</b>	<b>23,974,382</b>
<b>Expenses</b>									
Program Services									
Regular Education Programs	20,306	-	20,306	-	-	-	9,797,618	-	9,797,618
Operation and Maintenance of Plant	133,482	-	133,482	(1,799,909)	-	(1,799,909)	3,784,471	-	3,784,471
Special Education Programs	203,163	-	203,163	-	-	-	3,230,698	-	3,230,698
School Administration	316,516	-	316,516	-	-	-	1,347,652	-	1,347,652
Food Service Operations	-	-	-	-	-	-	1,276,565	-	1,276,565
Special Programs	-	-	-	-	-	-	797,789	-	797,789
Pupil Support Services	-	-	-	-	-	-	495,269	-	495,269
Other Instructional Programs	-	-	-	-	-	-	64,764	-	64,764
Student Activities	-	-	-	-	-	-	2,720	-	2,720
Instructional Staff Services	-	-	-	-	-	-	1,789	-	1,789
Management and General									
Business Services	888,735	-	888,735	-	-	-	1,735,440	-	1,735,440
General Administration	447,041	-	447,041	-	-	-	732,530	-	732,530
Central Services	2,388	-	2,388	-	-	-	5,206	-	5,206
<b>Total Expenses</b>	<b>2,011,631</b>	<b>-</b>	<b>2,011,631</b>	<b>(1,799,909)</b>	<b>-</b>	<b>(1,799,909)</b>	<b>23,272,511</b>	<b>-</b>	<b>23,272,511</b>
Loss on Disposal of Property and Equipment	-	-	-	-	-	-	61,416	-	61,416
<b>Total Expenses and Losses</b>	<b>2,011,631</b>	<b>-</b>	<b>2,011,631</b>	<b>(1,799,909)</b>	<b>-</b>	<b>(1,799,909)</b>	<b>23,333,927</b>	<b>-</b>	<b>23,333,927</b>
<b>Change in Net Assets</b>	<b>(76,138)</b>	<b>(39,542)</b>	<b>(115,680)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>627,836</b>	<b>12,619</b>	<b>640,455</b>
<b>Net Assets, Beginning of Year</b>	<b>112,512</b>	<b>64,542</b>	<b>177,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,163,258</b>	<b>64,542</b>	<b>2,227,800</b>
<b>Net Assets, End of Year</b>	<b>\$ 36,374</b>	<b>\$ 25,000</b>	<b>\$ 61,374</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,791,094</b>	<b>\$ 77,161</b>	<b>\$ 2,868,255</b>

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Directors  
Choice Foundation, a Non-Profit Organization  
New Orleans, 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 Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA  
December 14, 2017

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

Independent Auditor's Report

To the Board of Directors  
Choice Foundation, a Non-Profit Organization  
New Orleans, Louisiana

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

We have audited Choice Foundation, a Non-Profit Organization's (the Foundation) compliance with the types of compliance requirements described in the 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, 2017. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Foundation's 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, 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 each of its major federal programs for the year ended June 30, 2017.

### **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 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 the 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 charge 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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA  
December 14, 2017

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>United States Department of Agriculture</u></b>			
Passed through the Louisiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	NONE	\$ 510,443
National School Lunch Program	10.555	NONE	970,655
Summer Food Service Program for Children	10.559	NONE	4,894
Total Child Nutrition Cluster			1,485,992 *
Commodity Supplemental Food Program	10.565	NONE	5,402
Child and Adult Care Food Program	10.558	NONE	51,204
<b>Total United States Department of Agriculture</b>			1,542,598
<b><u>United States Department of Education</u></b>			
Passed through the Louisiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010A	S010A160018	1,184,244
Title I Believe and Prepare - Cohort 3 - 1003a	84.010A	S010A140018	18,212
Title I Priority School Support - 1003a	84.010A	S010A140018	7,500
Total Title I, Part A			1,209,956
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA Part B)	84.027A	H027A160033	431,804
Special Education - High Cost Services (IDEA Part B)	84.027A	H027A16003316A	8,860
Special Education - Preschool Grants (IDEA Preschool)	84.173A	H173A160082	4,345
Total Special Education Cluster (IDEA)			445,009
Title III English Language Acquisition State Grants	84.365A	S365A160018	21,587
Title II Improving Teacher Quality State Grants	84.367A	S367A160017	147,843
<b>Total United States Department of Education</b>			1,824,395
<b><u>United States Department of Health and Human Services</u></b>			
Passed through the Louisiana Department of Education			
Temporary Assistance for Needy Families (TANF)	93.558	G-61102LATANF	198,945
<b>Total United States Department of Health and Human Services</b>			198,945
<b>Total Expenditures of Federal Awards</b>			\$ 3,565,938

\* Denotes Major Program

See notes to schedule of expenditures of federal awards.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

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**Note 1. General**

The accompanying schedule of expenditures of federal awards presents the activity of the federal awards of Choice Foundation, a Non-Profit Organization (the Foundation). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2017. All federal awards received from federal agencies are included on the schedule.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Foundation has met the qualifications for the respective grants.

**Accrued Reimbursement**

Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

**Federal Revenues not Considered Federal Awards**

The Foundation recorded federal Medicaid revenues and related expenses of \$19,713 that were not considered federal awards. As such, this amount was excluded from this schedule.

**Note 3. Indirect Cost Rates**

The Foundation did not include any expenditures related to indirect cost rate calculations nor any 10% de minimis cost rate calculations in its schedule of expenditures of federal awards as there were no indirect cost rates utilized as part of the federal grant activity.

See notes to schedule of expenditures of federal awards.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017**

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**Part I - Summary of Auditor's Results**

**Financial Statement Section**

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

**Federal Awards Section**

- |   |            |
|---|------------|
| 3. Type of auditor's report issued on compliance for major programs                   | Unmodified |
| 4. Internal control over major programs   |            |
| a. Material weaknesses identified?  | None       |
| b. Significant deficiencies identified not considered to be material weaknesses?      | None       |
| 5. Audit findings disclosed that are required in accordance with the Uniform Guidance | None       |
| 6. Identification of major programs   |            |
| 10.553,10.555,10.559 - Child Nutrition Cluster  |            |
| 7. Dollar threshold used to distinguish between Type A and B programs                 | \$750,000  |
| 8. Auditee qualified as a low-risk auditee under the Uniform Guidance                 | Yes        |

**Part II - Financial Statement Findings Section**

None.

**Part III - Federal Award Findings and Questioned Costs Section**

None.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Summary Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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**Part I - Financial Statement Findings Section**

None.

**Part II - Federal Award Findings and Questioned Costs Section**

None.

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

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

To Choice Foundation,  
d/b/a Lafayette Academy Charter School,  
d/b/a Esperanza Charter School,  
d/b/a McDonogh 42 Elementary Charter School, and  
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Choice 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 year July 1, 2016 through June 30, 2017. The Foundation's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - d) ***Receipts***, including receiving, recording, and preparing deposits.
  - e) ***Payroll/Personnel***, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (LRS) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

Management's Response: Foundation policies and procedures will be updated to include how vendors are added to the vendor list.

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

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- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: During the fiscal year, the Foundation's board and finance committee met eight (8) times. Two (2) of these meetings did not have a quorum. One (1) of these meetings did not discuss budgetary and financial information.

All other board minutes included financial updates, budgets, and other non-budgetary items.

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

## ***Bank Reconciliations***

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

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: For the accounts selected, all monthly bank reconciliations were prepared and included evidence that an independent member of management reviewed the reconciliation. The Foundation's Accountant prepares the monthly bank reconciliations. The bank reconciliations are then reviewed by the Controller. Neither the Accountant nor the Controller are authorized check signers.

On a bank account, we noted thirty-seven (37) outstanding checks totaling \$8,045 which have been outstanding for more than 6 months. On a bank account, we noted two (2) outstanding checks totaling \$1,528 which have been outstanding for more than 6 months. On a bank account, we noted six (6) outstanding checks totaling \$14,830 which have been outstanding for more than 6 months.

We did not note any evidence supporting that reconciling items that have been outstanding for more than 6 months were researched as of the end of the fiscal period.

Management's Response: The Foundation's policy on bank reconciliations will be modified to include procedures to reconcile items outstanding more than 6 months. In addition, monthly monitoring will be performed by business office staff to ensure outstanding items are researched and that research is documented.

## ***Collections***

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

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
    - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: We noted three cash collection locations, the three separate campus locations for Lafayette Academy Charter School, Esperanza Charter School, and McDonogh 42 Elementary Charter School. We noted that employees responsible for collecting cash are covered under a crime insurance policy. We noted that employees that collect cash are also allowed to deposit cash in the bank. We noted that the Foundation does not have any formal cash registers or drawers but stores all deposits in a safe at each campus prior to deposit.

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

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

For the weeks selected, three deposits were reviewed, all of which were completely supported by documentation. The deposits selected included various dates of collection. It is estimated that the time from the first item collected to the date of deposit was twenty-seven (27) days, twenty-nine (29) days, and ninety-two (92) days.

Management's Response: The Foundation's policy on cash collections requires that all deposits be made "on a daily or no later than on a weekly basis". Business office staff will implement monthly site-based monitoring to ensure operations managers are making cash deposits per the policy.

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

Results: As the Foundation is a charter school group, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. The controller and the COO compare actual revenue to budgeted amounts on a monthly basis.

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

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

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

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: For all disbursements sampled, initiation was performed by using a "purchase requisition" form (form), which was provided with the supporting documentation.

For three (3) disbursements sampled, the form was not completed and the charges were identified as reoccurring vendors related to payroll processing and bank fees which were automatically paid via ACH transactions. All check disbursements sampled included an invoice and a copy of the signed check.

Management's Response: Foundation policy will be updated to ensure all disbursements, including all ACH transactions, will be initiated with a purchase requisition form.

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

Results: We noted that all invoices need approval from a department head, the COO, or the Principals for payment processing and that all checks over \$1,500 require two signatures. We noted that all accounting personnel are capable of adding vendors to the Foundation's purchasing/disbursements system, including all accountants, the controller, the COO, and the payroll manager. We noted that the accounts payable accountant is the only employee that is charged with adding vendors by practice and with processing payments.

Management's Response: The Foundation business office staff will work with the accounting software vendor, Blackbaud, to determine if the accounting software has the capabilities of limiting staff from adding vendor to the purchasing/disbursements module of the accounting software.

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

Results: We noted that the Foundation has four (4) primary signers, two (2) of which are employees (the COO and Head of School) and two (2) of which are board members (the Board Treasurer and the Board President). We noted that the COO and the Head of School have the ability to authorize disbursements and may also initiate purchases. We noted that the COO has the ability to record purchases.

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

Results: We noted that blank secured check paper is maintained in a locked but shared office of the controller with access restriction. We noted that access to print checks is limited to the accounting department personnel. The COO has signatory authority. We noted that all checks over \$1,500 require two signatures.

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

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

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

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

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

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: We noted evidence that the monthly combined statements and supporting documentation was reviewed and approved for all statements and cards sampled. For the Head of School/CEO's statement, a board member performed the primary review. For the COO's statement, the Head of School/CEO performed the primary review. For all other statements, the COO performed the primary review. For vendor credit cards (i.e., Lowe's and Office Depot), the Principal's performed the primary review and the CFO performed the final approval.

For two (2) of the statements selected, we noted finance fees or late fees were assessed totaling \$2 and \$38.

Management's Response: The Foundation business office staff will implement monthly monitoring procedures to ensure late fees or finance charges related to credit card transactions are minimized.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased).

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: We noted two (2) transactions selected were not supported by an original itemized receipt. For the two (2) transactions, a "missing receipt" form was completed.

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

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

Management's Response: Foundation business office staff will implement monthly monitoring procedures to ensure that credit card transactions are supported by the original receipt.

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

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

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

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

Results: We obtained the Foundation's policies and procedures for travel expenses. The Foundation's policy allows for reimbursement of mileage at \$0.51, which is currently less than the GSA rate. The Foundation's policy allows for meal per diem based on location tiers ranging from \$56 - \$68, which is the same as the rate stated in the Louisiana Travel Guide. The Foundation's standard travel rate does not exceed the GSA Meals and Incidental Expense (M&IE) rate for destinations sampled.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
  - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted that for one (1) person selected, no receipt was provided for two (2) transactions, including a meal expense totaling \$15 and a toll expense totaling \$22. For this same person, it was also noted that they received reimbursement for trips of 150 miles, which was in excess of the maximum mileage reimbursement defined by policy (99 miles).

We noted that for one (1) person selected, two (2) breakfasts totaling \$12 and \$13 were reimbursed at a rate in excess of the daily per diem allowance defined by policy (\$10). For this same person, it was also noted that a tip for taxi service totaling \$66 was reimbursed at a rate in excess of the tip allowance defined by policy (15%).

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

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

Management's Response: The Foundation travel expense policy will be updated to allow mileage reimbursement and meal reimbursements in excess of the current limits in the policy. In addition, the Foundation business office staff will implement monthly monitoring to ensure all travel-related reimbursements are accompanied by original receipt.

## ***Contracts***

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

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

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
  - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
  - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

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

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

We noted that one (1) contract selected included an amendment totaling an estimated \$197 increase. This contract was for school food services and was amended based on an estimated number of meals to be served. We noted that all other contracts selected included no amendments within the fiscal year.

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

We noted that the COO, the Head of School, and the board of the Foundation can approve and execute contracts. We noted that the Foundation's policies and procedures do not require board approval prior to contract execution. As such, evidence of board approval was not available for the contracts selected.

Management's Response: The current Foundation policy allows for board member inclusion in the vendor contracting process as follows:

- The board attorney reviews and approves all new vendor contracts.
- On a monthly basis, either the board president or treasurer signs all vendor checks for the highest paid vendors.

Management will work with the board on implementing additional procedures for board approval of contracts.

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

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

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

We noted one (1) employee who was paid a salary that differed from the salary value recomputed from the employee's contract in the personnel file. Excess wages paid to this employee totaled \$3,692. We noted that compensation paid to all other employees sampled was in accordance with their employment contract and pay rate structure.

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

Management's Response: For the employee in question, the error was discovered immediately after the second check was processed. Attempts were made to recoup the funds, but were unsuccessful. Additional controls have been put in place to prevent this type of error in the future.

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

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

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

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

We noted that supervisor approval of employee leave is required for any leave in excess of one (1) hour and is documented on a written leave slip. We further noted that the leave slip is required to be approved by a department head or assistant principal. The department head or assistant principal submits attendance and leave information to the Payroll Accountant to track and record leave deductions. For the twenty-five (25) employees selected, eleven (11) had recorded leave usage during the period selected. Of those eleven (11) employees, nine (9) had leave usage of less than one hour, which were not approved by supervisors in accordance with policy, and two (2) had leave usage of more than one hour. Of those two (2) employees, one (1) did not have a documented leave approval.

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

Management's Response: The Foundation's business office staff will review the current leave policy and implement changes as needed. In addition, staff will monitor leave-related documents on a monthly basis to ensure required approvals are received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Other***

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

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

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

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

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

Results: No exceptions were noted in obtained management representation.

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

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

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

A Professional Accounting Corporation

Covington, LA  
December 14, 2017