

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

Annual Financial Statements

June 30, 2018 and 2017



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

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

The performance and statistical data, included as schedules 1 and 2 is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the independent accountant's report on applying agreed-upon procedures. However, we did not audit this information and, accordingly, express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA  
December 26, 2018

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Statements of Financial Position  
June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 5,119,391	\$ 5,406,480
Grants Receivable	485,868	146,305
Student, Class, and Course Fees Receivable, Net	281,244	208,765
Unconditional Promises to Give	54,475	4,205
Prepaid Expenses	142,263	63,873
	<u>6,083,241</u>	<u>5,829,628</u>
<b>Fixed Assets</b>		
Property and Equipment, Net	<u>527,372</u>	491,816
	<u>527,372</u>	491,816
	<u>\$ 6,610,613</u>	<u>\$ 6,321,444</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 534,570	\$ 376,694
Accrued Expenses	172,583	165,697
	<u>707,153</u>	<u>542,391</u>
<b>Net Assets</b>		
Unrestricted	5,007,277	5,181,312
Temporarily Restricted	753,522	457,940
Permanently Restricted	142,661	139,801
	<u>5,903,460</u>	<u>5,779,053</u>
	<u>\$ 6,610,613</u>	<u>\$ 6,321,444</u>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2018**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue, Grants, and Other Support</b>				
State and Local Public School Funding				
Local - Minimum Foundation Program	\$ 5,162,814	\$ -	\$ -	\$ 5,162,814
State - Minimum Foundation Program	3,559,798	-	-	3,559,798
Special Distributions - Minimum Foundation Program	205,615	-	-	205,615
Grants				
Federal Grants	174,232	84,388	-	258,620
Other State Grants	225,051	-	-	225,051
Contributions	229,428	527,182	2,860	759,470
Class and Course Fees	539,503	-	-	539,503
Student Activity Fees	158,311	-	-	158,311
Other Revenue	56,414	-	-	56,414
In-Kind Donations	40,269	-	-	40,269
Interest Income	15,139	-	-	15,139
Net Assets Released from Restrictions	315,988	(315,988)	-	-
<b>Total Revenue, Grants, and Other Support</b>	<b>10,682,562</b>	<b>295,582</b>	<b>2,860</b>	<b>10,981,004</b>
<b>Expenses</b>				
Salaries and Wages	5,553,830	-	-	5,553,830
Employee Benefits	1,997,192	-	-	1,997,192
Professional Services	946,909	-	-	946,909
Student Activities Expense	915,190	-	-	915,190
Supplies	378,066	-	-	378,066
Repairs and Maintenance	211,274	-	-	211,274
Utilities	175,460	-	-	175,460
Insurance	163,971	-	-	163,971
Expendable Furniture, Fixtures, and Equipment	91,519	-	-	91,519
Payroll Taxes	92,641	-	-	92,641
Travel and Meals	88,136	-	-	88,136
Other Expenses	64,231	-	-	64,231
Printing and Postage	58,449	-	-	58,449
Depreciation	50,751	-	-	50,751
Loss on Disposal of Assets	27,183	-	-	27,183
Advertising	26,575	-	-	26,575
Food Services	15,220	-	-	15,220
<b>Total Expenses</b>	<b>10,856,597</b>	<b>-</b>	<b>-</b>	<b>10,856,597</b>
<b>Change in Net Assets</b>	<b>(174,035)</b>	<b>295,582</b>	<b>2,860</b>	<b>124,407</b>
<b>Net Assets, Beginning of Year</b>	<b>5,181,312</b>	<b>457,940</b>	<b>139,801</b>	<b>5,779,053</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,007,277</b>	<b>\$ 753,522</b>	<b>\$ 142,661</b>	<b>\$ 5,903,460</b>

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

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

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

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 124,407	\$ 685,198
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	50,751	48,605
Loss on Disposal of Equipment	27,183	-
Contributions Restricted for Endowment Purposes	(2,860)	(1,778)
(Increase) Decrease in Assets		
Grants Receivable	(339,563)	(14,680)
Student Fees Receivable	(72,479)	(34,666)
Unconditional Promises to Give	(50,270)	17,975
Prepaid Expenses	(78,390)	(53,873)
Increase (Decrease) in Liabilities		
Accounts Payable	157,876	(16,713)
Accrued Expenses	6,886	(96,028)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(176,459)</b>	<b>534,040</b>
<b>Cash Flows from Investing Activities</b>		
Property and Equipment Purchases	(113,490)	(170,186)
<b>Net Cash Used in Investing Activities</b>	<b>(113,490)</b>	<b>(170,186)</b>
<b>Cash Flows from Financing Activities</b>		
Collections of Endowment Gifts	2,860	1,778
<b>Net Cash Provided by Financing Activities</b>	<b>2,860</b>	<b>1,778</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(287,089)</b>	<b>365,632</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>5,406,480</b>	<b>5,040,848</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,119,391</b>	<b>\$ 5,406,480</b>

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

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

**Notes to Financial Statements**

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

**Organization**

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

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

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

**Financial Statement Presentation**

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

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

**Basis of Accounting**

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

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

**Notes to Financial Statements**

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

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

For purposes of the statements of cash flows, the School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. For the years ended June 30, 2018 and 2017, the School did not have any cash equivalents.

**Grants Receivable**

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

**Promises to Give**

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

**Property, Equipment, and Depreciation**

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

**Compensated Absences**

The School provides compensated absences in the form of Personal Time Off and Family Leave. All ten-month employees are provided ten days of paid leave per year to be used for illness or personal leave. All eleven-month employees receive eleven days of paid leave for illness or personal leave. All twelve-month employees receive ten days of paid leave for illness or personal leave and fifteen vacation days. Family Leave is provided when an employee qualifies for leave under the Family Medical Leave Act. The employee shall be eligible to receive 60% of regular pay for a period of up to two weeks per the rolling period specified by the School's policy.

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

**Notes to Financial Statements**

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

**Compensated Absences (Continued)**

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

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

Compensated absences and the related benefits accrued as of June 30, 2018 and 2017, totaled \$194,093 and \$157,645, respectively, which are included in accrued expenses on the statements of financial position.

**Contributions and Revenue Recognition**

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

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

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

**In-Kind Support**

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$40,269 and \$40,029, for the years ended June 30, 2018 and 2017, respectively, and included donations of classroom and building improvements, laptops and other computer equipment, musical instruments, books, vacations to be raffled, registration for academic related competitions, and other items.

**Income Taxes**

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

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

**Notes to Financial Statements**

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

**Income Taxes (Continued)**

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

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

**Allocated Expenses**

The costs of providing the School's various programs and other activities are summarized in Note 11. Certain expenses have been allocated among the programs and supporting services based on management's estimate of costs involved.

**Fundraising Expenses**

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

**Advertising**

Advertising costs, which are included in general and administrative expenses, are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017, totaled \$26,575 and \$21,555, respectively.

**Reversionary Interest in Funds and Assets**

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

**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 to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for nonpublic organizations for annual reporting periods beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

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

Notes to Financial Statements

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

**Recent Accounting Pronouncements (Continued)**

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

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. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

**Note 2. Concentrations of Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be recovered. The School periodically maintains cash in bank accounts in excess of insured limits. However, the School has a written policy for custodial credit risk requiring collateralization of uninsured cash deposits. As of June 30, 2018 and 2017, the School's bank balances were \$5,200,776 and \$5,557,572, respectively.

As of June 30, 2018 and 2017, balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled approximately \$746,416 and \$750,000, respectively. The remaining deposits of \$4,454,360 and \$4,807,572, respectively, were uninsured. As of June 30, 2018 and 2017, deposits of \$4,349,591 and \$4,661,719, respectively, were invested in a repurchase agreement as part of an overnight sweep account. These invested deposits were not FDIC insured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name. Remaining uninsured and uncollateralized deposits as of June 30, 2018 and 2017, total \$104,769 and \$145,853, respectively. The School has not experienced any losses and does not believe that significant credit risk exists as a result of its cash management practices.

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

**Notes to Financial Statements**

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

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the years ended June 30, 2018 and 2017, which totaled \$9,411,898, or 86%, and \$8,801,314, or 85%, of total revenue, respectively.

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

**Note 3. Cash and Cash Equivalents**

The School's cash and cash equivalents (book balances) at June 30, 2018 and 2017, were \$5,119,391 and \$5,406,480, respectively, which are stated at cost and approximate market.

**Note 4. Property and Equipment**

Property and equipment composition as of June 30, 2018 and 2017, was as follows:

	<b>2018</b>	<b>2017</b>
Machinery and Equipment	\$ 523,817	\$ 509,377
Site Improvements	173,008	173,008
Building and Building Improvements	510,388	442,637
Construction in Progress	-	3,225
	<u>1,207,213</u>	<u>1,128,247</u>
Less: Accumulated Depreciation	<u>(679,841)</u>	<u>(636,431)</u>
<b>Property and Equipment, Net</b>	<u><b>\$ 527,372</b></u>	<u><b>\$ 491,816</b></u>

Depreciation expense for the years ended June 30, 2018 and 2017, totaled \$50,751 and \$48,605, respectively.

**Note 5. Retirement Plan**

Substantially all employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123. At June 30, 2017, the TRSL was 64.5% funded.

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

**Notes to Financial Statements**

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**Note 5. Retirement Plan (Continued)**

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

For the years ended June 30, 2018 and 2017, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 26.6% and 25.5%, respectively, of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement System's Actuarial Committee. For the years ended June 30, 2018 and 2017, the School's contributions to this plan totaled \$1,427,891 and \$1,277,505, respectively.

**Note 6. Endowment Fund**

**The Endowments**

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

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

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

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

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

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

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

**Notes to Financial Statements**

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**Note 6. Endowment Fund (Continued)**

**The Endowments (Continued)**

Endowment net asset composition as of June 30, 2018 and 2017, was as follows:

<b>June 30, 2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Donor-Restricted Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,661</b>	<b>\$ 142,661</b>

  

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

Changes in endowment net assets for the years ended June 30, 2018 and 2017, were as follows:

<b>June 30, 2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Net Assets, Beginning of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,801</b>	<b>\$ 139,801</b>
<b>Contributions</b>	<b>-</b>	<b>-</b>	<b>2,860</b>	<b>2,860</b>
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,661</b>	<b>\$ 142,661</b>

  

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

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the School to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations. There were no such deficiencies as of June 30, 2018 or 2017.

**Return Objectives and Risk Parameters**

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

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

**Notes to Financial Statements**

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**Note 6. Endowment Fund (Continued)**

**Strategies Employed for Achieving Objectives**

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

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

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

**Note 7. Restrictions on Net Assets**

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

Temporarily restricted net assets as of June 30, 2018 and 2017, are available for the following purposes:

	2018	2017
Athletics	\$ 601,888	\$ 243,865
Academics	37,015	97,247
Auditorium	3,088	30,670
After School Activities	37,134	24,127
Scholarship	34,522	15,410
Professional Development	2,867	15,164
Class Reunion Gifts	24,477	13,636
Guidance	6,387	6,644
Library	6,010	6,277
Building Maintenance	134	4,900
<b>Total</b>	<b>\$ 753,522</b>	<b>\$ 457,940</b>

As discussed in Note 7, permanently restricted net assets of \$142,661 and \$139,801, as of June 30, 2018 and 2017, respectively, relate to an operating endowment to be held in perpetuity. The income from endowment investments is expendable for operations.

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

**Notes to Financial Statements**

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**Note 8. Union Contracts**

On May 15, 2014, the Board of Directors voted to voluntarily recognize the United Teachers of New Orleans, Local 527, LFT, AFT, AFL-CIO (the Union) as the exclusive bargaining representative for the purpose of negotiating a collective bargaining agreement (CBA) under a voluntary recognition agreement to be negotiated by the board president and subject to board approval. On March 19, 2015, the School's Board and the Union finalized the CBA with an initial three-year term including the June 30, 2015 fiscal year and ending June 30, 2017. On September 29, 2017, the School's Board and the Union entered into an updated CBA expiring on June 30, 2021.

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

- A salary that is determined using a salary scale approved by the Union and based on years of relevant experience and level of education
- Provisions for personal leave days as compensated absences (Note 1)
- Continuing to pay 80% of the premium costs for medical, dental, and vision coverage
- Continuing to provide retirement benefits through TRSL or as provided by applicable law

**Note 9. School Operations/Leasehold Interest**

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

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

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

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

**Notes to Financial Statements**

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**Note 9. School Operations/Leasehold Interest (Continued)**

On August 1, 2017, the School entered into a separate lease agreement with the University of New Orleans (UNO), a related party, for additional classroom space. UNO is considered a related party as the president of UNO is a board member for the School expiring July 31, 2018. On August 1, 2018, the lease was renewed through July 31, 2019. The lease requires monthly payments of \$4,931 during the lease period.

**Note 10. Functional Allocation of Expenses**

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

Total expenses for the years ended June 30, 2018 and 2017, are allocated as follows:

	<b>2018</b>	<b>2017</b>
Program Services	\$ 9,618,075	\$ 8,553,007
Supporting Services		
Management and General	951,902	851,199
Fundraising	286,620	236,167
<b>Total Expenses</b>	<b>\$ 10,856,597</b>	<b>\$ 9,640,373</b>

**Note 11. Risk Management**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2018 or 2017.

**Note 12. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 26, 2018, and determined that no events occurred that require disclosure.

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

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

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

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2018, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514-1. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on 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.

### Class Size Characteristics (Schedule 2)

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

Findings: None.

### Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Findings: For one employee selected, the years of experience reported in the PEP data did not agree to the years of experience in the employee's personnel file.

Management's Response: The employee noted has been a teacher for over 30 years. The personnel file had evidence to support 32 of the 34 years reported in the PEP file.

### Public School Staff Data: Average Salaries (NO SCHEDULE)

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

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 School, 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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
December 26, 2018

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
Schedules Required by Louisiana State Law  
(R.S. 24:514 - Performance and Statistical Data)  
As of and for the Year Ended June 30, 2018**

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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 - 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.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2018**

**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures**

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 3,048,760	
Other Instructional Staff Salaries	325,745	
Instructional Staff Employee Benefits	1,318,795	
Purchased Professional and Technical Services	44,706	
Instructional Materials and Supplies	160,127	
Instructional Equipment	14,459	
	<hr/>	
<b>Total Teacher and Student Interaction Activities</b>		<b>\$ 4,912,592</b>
Other Instructional Activities		3,477
Pupil Support Services	926,933	
Less: Equipment for Pupil Support Services	19,901	
	<hr/>	
<b>Net Pupil Support Services</b>		<b>907,032</b>
Instructional Staff Services	92,622	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
<b>Net Instructional Staff Services</b>		<b>92,622</b>
School Administration	2,209,203	
Less: Equipment for School Administration	74,231	
	<hr/>	
<b>Net School Administration</b>		<b>2,134,972</b>
		<hr/>
<b>Total General Fund Instructional Expenditures</b>		<b>\$ 8,050,695</b>
		<hr/>
<b>Total General Fund Equipment Expenditures</b>		<b>\$ 108,591</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>
		<hr/>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
<b>Total Local Earnings on Investment in Real Property</b>		<b>\$ -</b>
		<hr/>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
<b>Total State Revenue in Lieu of Taxes</b>		<b>\$ -</b>
		<hr/>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	-	
	<hr/>	
		<b>\$ -</b>

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

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.**  
**D/B/A BENJAMIN FRANKLIN HIGH SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Class Size Characteristics**  
**As of October 1, 2017**

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Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
High	45%	169	44%	164	9%	35	2%	8
High Activity Classes	27%	8	30%	9	23%	7	20%	6

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

## **SUPPLEMENTARY INFORMATION**

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Board of Directors  
For the Year Ended June 30, 2018**

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<u>Board Members</u>	<u>Compensation</u>
Mr. Lester F. Alexander III, President	\$-0-
Mr. Mark I. Baum	\$-0-
Mr. Wayne Collier	\$-0-
Mrs. Alea M. Cot	\$-0-
Mr. Duris L. Holmes, Past President	\$-0-
Mrs. Charmaine Cooper Hussain	\$-0-
Mr. Richard M. Ireland	\$-0-
Mrs. Tandra LeMay	\$-0-
Ms. Sandra Katz Levy	\$-0-
Mrs. Jennifer Mann	\$-0-
Mr. Allen Miller	\$-0-
Dr. John W. Nicklow	\$-0-
Mr. Todd Ragusa	\$-0-
Mr. Todd Slack	\$-0-
Mr. Allen Square Jr.	\$-0-
Mrs. Tania Tetlow	\$-0-
Mr. Stephen Tyler	\$-0-
Mr. Carlos Zervigon, Secretary/Treasurer	\$-0-

See independent auditor's report.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Compensation, Benefits, and Other Payments  
to Agency Head or Chief Executive Officer  
For the Year Ended June 30, 2018**

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

<b>Purpose</b>	<b>Amount</b>
Salary	\$170,000
Benefits - Retirement	\$45,220
Benefits - Insurance	\$8,239
Contract Agreement	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$1,518
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Meals	\$0

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

A Professional Accounting Corporation

Covington, LA  
December 26, 2018

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Findings and Responses  
For the Year Ended June 30, 2018**

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

**Financial Statements**

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

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

None.

**Section III. Compliance and Other Matters**

None.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.  
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2018**

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

None.

**Section III. Compliance and Other Matters**

None.

## AGREED-UPON PROCEDURES REPORT

Advocates for Academic Excellence in Education, Inc.,  
d/b/a Benjamin Franklin High School

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

For the Period of July 1, 2017 - June 30, 2018

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

We have performed the procedures enumerated below, which were agreed to by Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2017 through June 30, 2018. The School's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

#### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - 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.

Results: The School's policies and procedures address all items listed above except the policies or procedures governing the addition of vendors to the vendor listing, public bid law, or contract review.

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

### ***Bank Reconciliations***

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- 2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: For all bank reconciliations selected, no evidence was noted that supports the bank reconciliations being prepared within two months of statement close. We no noted no exceptions in the performance of procedure b) and c).

Management's Response: The School will actively address the completion of bank reconciliations in a timely manner, and include the date with the board member's sign-off during the final review.

## **Collections**

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

Results: No exceptions noted.

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: The School has a formal process to reconcile cash collections to the general ledger, primarily through bank reconciliations, which are performed by an employee that is commonly involved in cash collections. We noted that the School's processes occasionally results in the depositor preparing the bank deposit depending upon personnel availability. We noted that the deposits are commonly reviewed by, though not reconciled by, the employee preparing the bank reconciliation.

Management's Response: For the 17-18 fiscal year, the procedures in place for majority of the year were such that two individuals were part of the cash collection, recording/posting to general ledger and reconciliation process. One member of the accounting staff departed toward the end of the fiscal year, leaving one member to perform all cash collection duties. The School has since remedied the issue by hiring a new staff member allowing for normal segregation of duties in accordance with the internal control procedures.

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

Results: No exceptions noted.

6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

Results: As the School is a charter school group, its major sources of revenues are monthly Minimum Foundation Program payments and grant reimbursements. The School receives all such public funds via ACH transfer. The School noted no public funds that were received as cash during the fiscal year and that only student fees, student activity funds, and private donations include cash deposits. As such, there were no transactions selected for testing.

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

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

Results: No exceptions noted.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: Certain purchases may be initiated, approved, and purchased by the same person, typically a department head or a member of the executive management team. The School has established a compensating control over all transactions by requiring dual signatures on all checks, thereby requiring two employees to be involved in every check disbursement. However, dual signatures/authentication is not required for certain disbursements paid via ACH or on reoccurring payment. Personnel responsible for processing payments are also able to add/modify vendor files within the accounting system. One of the two personnel responsible for signing checks is commonly responsible for mailing the checks after signature.

Management's Response: The School has set purchasing policies and procedures with the goal of ensuring its primary mission, the academic success of its students, is achieved while also maintaining accountability for the use of funds. There are levels within the controls that allow for academic department heads or other employees with appropriate oversight of their related duties to initiate and approve purchases. Accountability is maintained through various aspects of expense processing. Following the results of the LLA AUPs performed for the 16-17 fiscal year, policies were reviewed and improvements were instituted. The School will continue to review policies relative to purchasing annually or more frequently as deemed necessary and institute changes to maintain accountability.

9. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Results: No exceptions noted.

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

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

Results: No exceptions noted.

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - c) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

Results: We noted that the credit card statements are reviewed and approved by the CFO, who also processes the payment on the card via ACH. One card is in the CFO's name. We noted that the School has established a compensating control over this process by having the card maintained in the accounting office and requiring a checkout log for usage. We noted that the School has also established a second compensating control over this process by having a board member review the statement on a monthly basis as part of the bank reconciliation review process.

Management's Response: As noted above, the School has a check out procedure for the use of the credit cards. The purpose of the cards, though issued in the names of members of executive management as required by issuing bank, is to be available for appropriate use & purchasing by personnel. Maintaining the check-out log/process allows for transparent use of the card and for convenient review of purchases being made prior to the close of the monthly statement by any interested party. Additionally, charges are detailed by vendor on the bank reconciliation for ease of review by board member.

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

Results: No exceptions noted.

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

13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

## ***Payroll and Personnel***

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

Results: No exceptions noted.

15. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #14 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: We noted that the School maintains a schedule of leave records during the fiscal year for all employees by tracking the compensated absences balance for each employee. We noted that supervisor approval of employee leave is not required nor documented. As such, no approval was noted for the employees selected. We further noted that it is required for employees to inform, in writing via email, the designated front office support staff and suggested that the employee include their respective immediate supervisor when scheduled or unscheduled leave is taken. The School does not require a specific form to be filled out. The designated front office support staff submits the attendance and leave information to the Business Office to track and record leave deductions through the payroll process.

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

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

Results: No exceptions noted.

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

Results: No exceptions noted.

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

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



A Professional Accounting Corporation

Covington, LA  
December 26, 2018