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**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of South Louisiana Charter Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities and changes in net assets, and the schedule of compensation, benefits and other payments to board president presented on pages 12-14, as well as the schedule of expenditures of federal awards presented on pages 19-20, required by Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The performance and statistical data included as Schedules 1 through 9 is presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana

December 23, 2016

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 1,164,148
Cash - restricted	47,375
Grants receivable:	
Federal programs	402,066
Other receivables	279,339
Due from CSUSA	223,196
Due from CSUSA affiliate	35
Prepaid expenses and other	3,992
Total current assets	<u>2,120,151</u>

**PROPERTY AND EQUIPMENT (NET):**

30,935,029

**NON-CURRENT ASSETS:**

Utility deposit	38,907
Other deposit	2,873
Total non-current assets	<u>41,780</u>

Total assets

\$ 33,096,960

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	378,519
Accrued payroll and related expenses	734,431
Accrued other expenses	34,539
Due to other schools	29,417
Accrued interest payable - short term portion	273,174
Capital lease payable - short term portion	702,051
Deferred revenues	2,532
Funds held in custody	47,375
Total current liabilities	<u>2,202,038</u>

**LONG TERM LIABILITIES:**

Accrued interest payable	167,179
Capital lease payable	33,233,038
Total long-term liabilities	<u>33,400,217</u>

**NET DEFICIT:**

Unrestricted	<u>(2,505,295)</u>
Total net deficit	<u>(2,505,295)</u>

Total liabilities and net deficit

\$ 33,096,960

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Revenue, Grants and Other Support**

Minimum Foundation Program (MFP)	\$ 17,351,574
Federal grants	1,521,458
State grants	64,798
Paid meals	190
Before and aftercare fees	44,273
Other income	55,379
Total unrestricted revenues and support	<u>19,037,672</u>

**Expenses:**

Program services:	
Instructional - regular education programs	6,741,114
Pupil support services	815,217
Instructional staff support services	1,105,888
School administration	1,418,981
Operation and maintenance of plant services	3,904,076
Student transportation	304,765
Food services	859,673
Non-instructional expense	122,872
Management and general	
Business services	1,201,330
Central services	150,971
Debt service	<u>3,334,888</u>

Total expenses	<u>19,959,775</u>
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Change in net assets	(922,103)
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<b><u>NET DEFICIT AT BEGINNING OF THE YEAR</u></b>	<u>(1,583,192)</u>
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<b><u>NET DEFICIT AT END OF THE YEAR</u></b>	<u>\$ (2,505,295)</u>
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The accompanying notes are an integral part of these financial statements.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (922,103)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,131,285
Decrease (increase) in:	
Federal program receivables	70,158
Other receivables	(232,421)
Due from CSUSA	(7,719)
Due from CSUSA affiliate	1,362,309
Prepaid expenses and other	28,606
Other assets	5,000
Increase (decrease) in:	
Accounts payable	(1,616,581)
Accrued payroll and related expenses	281,459
Accrued other expenses	23,570
Funds held in custody	21,223
	1,144,786
Net cash provided by operating activities	1,144,786

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	(262,889)
	(262,889)
Net cash used in investing activities	(262,889)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on capital leases	(526,674)
Accrued interest on capital leases	(284,836)
	(811,510)
Net cash used in financing activities	(811,510)

Net increase in cash	70,387
Beginning cash balance	1,141,136
Ending cash balance	\$ 1,211,523

**Supplemental disclosure of cash flow information**

Interest paid	\$ 2,410,468
	2,410,468

**Supplemental schedule of noncash financing activities:**

Capital lease obligation incurred for use of building and equipment	\$ 223,150
	223,150

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



**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2015-2016 school year, the Foundation operated three elementary schools, Baton Rouge Charter Academy at Mid-City (Mid-City) and Iberville Charter Academy (Iberville), under Type 2 charter agreements pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE), and South Baton Rouge Charter Academy (South Baton Rouge), under a Type 1 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the East Baton Rouge Parish School Board. The Mid-City, Iberville, and South Baton Rouge charter agreements will terminate on June 30, 2017, June 30, 2018, and July 16, 2018, respectively, unless extended for a maximum initial term of five years, contingent upon the results of a review conducted after the completion of the third year of operation. Collectively, the schools had enrollment of approximately 1,500 students for the 2015-2016 school year.

**Financial Statement Presentation**

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

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

**Basis of Accounting**

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

**Functional Expenses**

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

**Use of Estimates**

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Funds Held in Custody**

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

**Grants Receivable**

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2016.

**Public Support and Revenue Recognition**

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

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

**Cash**

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2016, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$1,131,000. Management, however, believes the credit risk associated with these deposits is minimal.

**Advertising**

The Foundation expenses advertising costs as they are incurred. Such expenses totaled \$306,274 during the fiscal year ended June 30, 2016.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

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

**Tax Exempt Status**

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2016.

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

**Accounting Changes**

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

**2. GRANTS RECEIVABLE**

Receivables due from other governmental agencies at June 30, 2016, consists of \$192,935, representing amounts due from the Louisiana Department of Education for federal pass through grants under the Title I program, Title II program, and IDEA program. An additional \$11,659 was due from the U.S. Department of Agriculture through the Louisiana Department of Education under the National School Lunch Program. The remaining \$197,472 is due from the Louisiana Department of Education for Minimum Foundation Program revenues earned but not paid.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**3. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2016:

Buildings and leasehold improvements	\$ 32,719,294
Furniture & fixtures	1,304,980
Equipment and software	<u>1,634,395</u>
Total cost	\$ 35,658,669
Less: Accumulated depreciation	<u>( 4,723,640)</u>
Total Property and equipment	<u>\$ 30,935,029</u>

Depreciation expense for the year ending June 30, 2016 was \$2,131,285.

**4. FUNDS HELD IN CUSTODY**

Collections from student activities are funds under the supervision of the Foundation; however, these funds belong to the schools or their student bodies and are not available for use in operations. At June 30, 2016, the Foundation held \$47,375 in an agency capacity.

**5. CONCENTRATION OF SUPPORT**

The Foundation received 91.1% of its support from the MFP and 7.9% of its support from federal grants passed through the Louisiana Department of Education during the year ending June 30, 2016.

**6. COMMITMENTS**

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

At June 30, 2016, CSUSA owed the Foundation \$1,218,277 related to management fee reductions and \$98,796 related to miscellaneous credits and rebates. These amounts have been netted against amounts owed by the Foundation to CSUSA of \$517,765 for operating advances and trade payables of \$576,112 for other invoiced services provided under the terms of the management agreement. The net amount of \$223,196 is reflected as amounts due from CSUSA in the statement of financial position.

Addendums to the management agreements between the Foundation and CSUSA were signed on May 31, 2016. The addendums allow CSUSA to recoup previously reduced management fees in future years, provided the school budgets can reasonably accommodate recoupment of all or a portion of the accumulated difference between the initial budgeted fees and the actual fees paid. South Baton Rouge's management fees were reduced by \$256,016 for the year ended June 30, 2016. Iberville's management fees were reduced by \$352,208 for the year ended June 30, 2016. There was no such agreement entered into by Mid-City.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**6. COMMITMENTS (Continued)**

For the year ended June 30, 2016, the amount of compensation paid to CSUSA totaled \$1,655,540 for operating the school as well as the aftercare program. These amounts are included in the statement of activities and changes in net assets as follows: \$877,437 in business services and \$778,103 in instructional staff support services.

**7. CAPITAL LEASE**

The Foundation has entered into a 20 year capital lease agreement for property and athletic fields for each of the charter schools. The leases are held by an affiliate of CSUSA. Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of these leases. Accrued interest payable related to these capital leases in the amount of \$440,353 was outstanding at June 30, 2016.

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

The future minimum lease payments under these capital lease obligations as of June, 30, 2016, are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 4,265,874
2018	4,124,796
2019	3,956,596
2020	3,933,084
2021	3,813,528
Thereafter	<u>53,749,892</u>
Total minimum lease payments	73,843,770
Less: amounts representing interest	<u>( 39,908,681)</u>
 Present value of minimum lease payments	 \$ 33,935,089
 Less: current portion	 <u>( 702,051)</u>
Capital lease payable – long term	<u>\$ 33,233,038</u>

**8. FEDERAL GRANTS**

The Foundation received federal assistance from the U.S. Department of Education for the Title I program, Title II program, and IDEA program passed through the Louisiana Department of Education which totaled \$518,370, \$42,276, and \$145,962, respectively. In addition, the Foundation received \$814,850 from the U.S. Department of Agriculture passed through the Louisiana Department of Education under the National School Lunch Program.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**9. CONTINGENT LIABILITIES**

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2016.

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

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

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 23, 2016, and determined that the following items requires additional disclosure.

The charter authorizer, BESE, has voted not to extend the charter contract for the Baton Rouge Charter Academy at Mid-City. The Foundation and CSUSA are currently working to obtain a new charter or an extension of another existing charter for the Mid-City facility.

No events occurring after December 23, 2016, have been evaluated for inclusion in these financial statements.

**SUPPLEMENTAL INFORMATION**

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

<b>ASSETS</b>	<b>Mid-City</b>	<b>South Baton Rouge</b>	<b>Iberville</b>	<b>Consolidated</b>
<b>CURRENT ASSETS:</b>				
Cash	\$ 578,567	\$ 183,081	\$ 402,500	\$ 1,164,148
Cash - restricted	3,386	39,639	4,350	47,375
Grants receivable:				
Federal programs	158,738	199,712	43,616	402,066
Other receivables	-	267,033	12,306	279,339
Due from CSUSA	371,045	(56,513)	(91,336)	223,196
Due from CSUSA affiliate	35	-	-	35
Prepaid expenses and other	2,913	540	539	3,992
Total current assets	<u>1,114,684</u>	<u>633,492</u>	<u>371,975</u>	<u>2,120,151</u>
<b>PROPERTY AND EQUIPMENT (NET):</b>	<u>8,734,203</u>	<u>12,737,458</u>	<u>9,463,368</u>	<u>30,935,029</u>
<b>NON-CURRENT ASSETS:</b>				
Utility deposit	10,612	13,295	15,000	38,907
Other deposit	2,873	-	-	2,873
Total non-current assets	<u>13,485</u>	<u>13,295</u>	<u>15,000</u>	<u>41,780</u>
Total assets	<u>\$ 9,862,372</u>	<u>\$ 13,384,245</u>	<u>\$ 9,850,343</u>	<u>\$ 33,096,960</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	43,097	328,879	6,543	378,519
Accrued payroll and related expenses	384,724	211,785	137,922	734,431
Accrued other expenses	23,529	5,928	5,082	34,539
Due to other schools	29,417	-	-	29,417
Accrued interest payable - short term portion	27,723	142,037	103,414	273,174
Capital lease payable - short term portion	288,681	197,057	216,313	702,051
Deferred revenues	2,532	-	-	2,532
Funds held in custody	3,386	39,639	4,350	47,375
Total current liabilities	<u>803,089</u>	<u>925,325</u>	<u>473,624</u>	<u>2,202,038</u>
<b>LONG TERM LIABILITIES:</b>				
Accrued interest payable	-	96,169	71,010	167,179
Capital lease payable	9,324,482	13,875,291	10,033,265	33,233,038
Total long-term liabilities	<u>9,324,482</u>	<u>13,971,460</u>	<u>10,104,275</u>	<u>33,400,217</u>
<b>NET DEFICIT:</b>				
Unrestricted	<u>(265,199)</u>	<u>(1,512,540)</u>	<u>(727,556)</u>	<u>(2,505,295)</u>
Total net deficit	<u>(265,199)</u>	<u>(1,512,540)</u>	<u>(727,556)</u>	<u>(2,505,295)</u>
Total liabilities and net deficit	<u>\$ 9,862,372</u>	<u>\$ 13,384,245</u>	<u>\$ 9,850,343</u>	<u>\$ 33,096,960</u>

See independent auditor's report.



**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Mid-City</u>	<u>South Baton Rouge</u>	<u>Iberville</u>	<u>Consolidated</u>
<b>Revenue, Grants and Other Support</b>				
Minimum Foundation Program (MFP)	\$ 7,112,018	\$ 5,967,502	\$ 4,272,054	\$ 17,351,574
Federal grants	770,840	368,824	381,794	1,521,458
State Grants	40,706	18,440	5,652	64,798
Paid meals	187	3	-	190
Before and aftercare fees	27,542	6,525	10,206	44,273
Other income	27,044	20,673	7,662	55,379
Total unrestricted revenues and support	<u>7,978,337</u>	<u>6,381,967</u>	<u>4,677,368</u>	<u>19,037,672</u>
<b>Expenses:</b>				
Program services:				
Instructional - regular education programs	3,043,621	2,207,927	1,489,566	6,741,114
Pupil support services	456,234	260,015	98,968	815,217
Instructional staff support services	645,434	270,513	189,941	1,105,888
School administration	619,881	457,347	341,753	1,418,981
Operation and maintenance of plant services	1,515,059	1,509,844	879,173	3,904,076
Student transportation	6,280	177,885	120,600	304,765
Food services	350,289	286,515	222,869	859,673
Non-instructional expense	45,561	27,728	49,583	122,872
Management and general				
Business services	697,582	286,948	216,800	1,201,330
Central services	18,425	121,269	11,277	150,971
Debt service	948,379	1,387,892	998,617	3,334,888
Total expenses	<u>8,346,745</u>	<u>6,993,883</u>	<u>4,619,147</u>	<u>19,959,775</u>
Change in net assets	(368,408)	(611,916)	58,221	(922,103)
<b><u>NET ASSETS (DEFICIT) AT BEGINNING OF THE YEAR</u></b>	<u>103,209</u>	<u>(900,624)</u>	<u>(785,777)</u>	<u>(1,583,192)</u>
<b><u>NET DEFICIT AT END OF THE YEAR</u></b>	<u>\$ (265,199)</u>	<u>\$ (1,512,540)</u>	<u>\$ (727,556)</u>	<u>\$ (2,505,295)</u>

See independent auditor's report.

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO BOARD PRESIDENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Board President, John Pierre

<u>Purpose</u>	<u>Amount</u>
Travel reimbursement	\$ 1,896
	<u>\$ 1,896</u>

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

**South Louisiana Charter Foundation's Response to Findings**

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

**Purpose of this Report**

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

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 23, 2016

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

South Louisiana Charter Foundation, Inc.  
Baton Rouge, Louisiana

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

We have audited the South Louisiana Charter Foundation's (the Foundation) compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2016. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on its Major Federal Program***

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

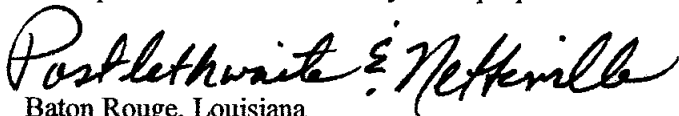
## Report on Internal Control over Compliance

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

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

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

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

  
Baton Rouge, Louisiana  
December 23, 2016

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grantor Project Number</u>	<u>CFDA Number</u>	<u>Expenditures 2016</u>
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Louisiana Department of Education:			
National School Lunch Program	LDE - 15/16	10.555 <sup>1</sup>	\$ 658,152
National School Breakfast Program	LDE - 15/16	10.553 <sup>1</sup>	<u>156,887</u>
<b>Total US Department of Agriculture</b>			<u>815,039</u>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
Passed through Louisiana Department of Education:			
Title I - Grants to Local Educational Agencies	28-16-T1-ED	84.010A	356,497
Passed through East Baton Rouge School System:			
Title I - Grants to Local Educational Agencies	28-16-T1-ED	84.010A	<u>161,874</u>
Subtotal Title I - Grants to Local Education Agencies			518,371
Passed through Louisiana Department of Education:			
Special Education, IDEA	28-16-B1	84.027A <sup>2</sup>	145,962
Title II - Part A, Teacher & Principal Training & Recruiting	28-16-50	84.367A	<u>42,276</u>
<b>Total US Department of Education</b>			<u>706,609</u>
<b>Total Expenditures</b>			<b>\$ <u>1,521,648</u></b>

<sup>1</sup> Child nutrition cluster - \$815,039

<sup>2</sup> Special education cluster - \$145,962

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

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

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – RECONCILIATION TO FINANCIAL STATEMENTS**

Total Federal Award Expenditures per schedule \$ 1,521,458

Total federal revenue per the Statement of Activities and Changes in Net Assets  
for the year ended June 30, 2016 are reported in revenue, grants and other support as follows:

Federal grants	\$ 1,521,458
Paid meals	<u>190</u>
	<u>\$ 1,521,648</u>

**NOTE C – DE MINIMUS COST RATE**

During the year ended June 30, 2016, the South Louisiana Charter Foundation did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.



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

**FOR THE YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted?                           yes        X   no

*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?                           yes        X   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster

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

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

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

**FOR THE YEAR ENDED JUNE 30, 2016**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2016 - 001 School Activity Funds**

- Criteria:** Internal controls over cash collections for school activity funds have been established by the Foundation. These controls include segregation of duties, the use of ticketed receipt books, timely deposits, and reconciliations of those deposits to a “Daily Cash Receipts Reconciliation” which is maintained daily by each teacher/sponsor and submitted to the School Operations Administrator. This reconciliation is used in the reconciliation process of the daily deposits made by each school.
- Condition:** In 29 out of a sample of 40 cash deposits selected for testing two of the Foundation’s three schools were unable to locate the deposit information including the teacher collection log for which these cash receipts totaled \$61,112.
- Cause:** Lack of adequate record keeping and employee turnover related to the School Operations Administrator position has resulted in poorly maintained documentation related to school deposits.
- Effect:** Without proper internal controls over the cash collections at each school, there is an opportunity for misappropriation of these funds which may go undetected and result in a loss of school funds.
- Recommendation:** The Foundation should communicate the importance of maintaining adequate records and consider monitoring the status of records to ensure that policies and procedures are being implemented and performed appropriately.

**View of Responsible Official:**

*The school had turnover in the School Operations Administrator (SOA) position in FY16 which interfered with record retention, specifically related to daily cash receipts. The school has since had the lead trainer of the SOA position visit several times to reinforce CSUSA cash receipts policies and stress the importance of record retention. The Principal and Regional Director have also been notified that record retention has been a significant issue in the past and must be corrected. In order to assure the SOA is being diligent the staff accountant will be requesting sample audits throughout the year as it relates to cash deposits. We plan on increasing the frequency of these sample audits as a result of this finding. Any inconsistencies with the samples will be addressed with the SOA.*

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

To the Board Members of  
South Louisiana Charter Foundation, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of South Louisiana Charter Foundation, Inc. (the Foundation) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Foundation and statistical data accompanying the annual financial statements of the Foundation as of June 30, 2016, 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. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the 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 findings relate to the accompanying schedules of supplemental information and are as follows:

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

*Procedure #1*

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

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

*Results of procedure # 1*

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

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

### **Procedure # 2**

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

### **Results of Procedure # 2**

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

### **Procedure # 3**

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

### **Results of procedure # 3**

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

### **Procedure # 4**

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

### **Results of Procedure # 4:**

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

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

### **Procedure # 5**

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

### **Results of Procedure # 5**

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

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

### **Procedure #6**

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

### **Results of Procedure # 6**

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

**Public School Staff Data (Schedule 5)**

*Procedure # 7*

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

*Results of procedure # 7*

In our sample of 25 teachers, we found no discrepancies between the individual's personnel file and the approved salary schedule and the amounts reported on Schedule 5.

*Procedure # 8*

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

*Results of procedure # 8*

No differences were noted.

**Class Size Characteristics (Schedule 6)**

*Procedure # 9*

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

*Results of Procedure # 9*

Of the 10 classes selected, we noted the following differences in 6 classes between the roll book counts and the number reported in Schedule 6:

<b>Number of Students Reported</b>	<b>Roll Book Counts</b>	<b>Difference</b>
21	20	1
21	18	3
19	14	5
20	21	(1)
15	16	(1)
15	16	(1)

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

*Procedure # 10*

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

*Results of Procedure # 10*

No differences were noted.



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

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

**The iLEAP Tests (Schedule 9)**

*Procedure # 12*

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

*Results of Procedure # 12*

No differences were noted.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. 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 South Louisiana Charter Foundation, Inc., the Louisiana Department of Education, the Louisiana Legislature, 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.

*Postlethwait & Nettville*

Baton Rouge, Louisiana  
December 23, 2016

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 1**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2016**

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 3,549,117	
Other Instructional Staff Activities	361,732	
Employee Benefits	481,947	
Purchased Professional and Technical Services	294,249	
Instructional Materials and Supplies	309,276	
Instructional Equipment	354,113	
Total Teacher and Student Interaction Activities		5,350,434
Other Instructional Activities	101,868	101,868
Pupil Support Activities	165,449	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		165,449
Instructional Staff Services	632,668	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		632,668
School Administration	2,712,302	
Less: Equipment for School Administration	-	
Net School Administration		2,712,302
Total General Fund Instructional Expenditures		\$ 8,962,721
Total General Fund Equipment Expenditures		\$ 354,113

**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	-	
Total Local Taxation Revenue		-
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property	-	
Earnings from Other Real Property	-	
Total Local Earnings on Investment in Real Property		-
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
Total State Revenue in Lieu of Taxes		-
Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue		-

See Independent Accountants' Report

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 2**

**Education Levels of Public School Staff**  
**As of October 1, 2015**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0.00%	1	2.50%	0	0.00%	0	0.00%
Bachelor's Degree	13	46.43%	29	72.50%	0	0.00%	0	0.00%
Master's Degree	14	50.00%	9	22.50%	1	33.33%	0	0.00%
Master's Degree + 30	1	3.57%	0	0.00%	0	0.00%	0	0.00%
Specialist in Education	0	0.00%	1	2.50%	2	66.67%	0	0.00%
Ph. D. or Ed. D.	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Total</b>	<b>28</b>	<b>100.00%</b>	<b>40</b>	<b>100.00%</b>	<b>3</b>	<b>100.00%</b>	<b>0</b>	

See Independent Accountants' Report

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



**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 3**

**Number and Type of Public Schools**  
**For the Year Ended June 30, 2016**

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

See Independent Accountants' Report

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

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 4**

**Experience of Public Principals and Full-time Classroom Teachers**  
**As of October 1, 2015**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	0	2	0	0	0	2
Principals	0	0	0	0	1	0	0	1
Classroom Teachers	35	8	15	2	3	2	3	68
<b>Total</b>	<b>35</b>	<b>8</b>	<b>15</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>71</b>

See Independent Accountants' Report

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

**SOUTH LOUISIANA FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 5**

**Public School Staff Data**  
**For the Year Ended June 30, 2016**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC and Rehired Retirees</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	43,860.16	-
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	42,412.54	-
<b>Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries</b>	75.76	-

See Independent Accountants' Report

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

**Class Size Characteristics**  
**As of October 1, 2015**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	90.72%	176	9.28%	18	0.00%	0	0.00%	0
Elementary Activity Classes	83.57%	178	16.43%	35	0.00%	0	0.00%	0
Middle/Jr. High	85.62%	131	14.38%	22	0.00%	0	0.00%	0
Middle/Jr. High Activity Classes	46.07%	41	53.93%	48	0.00%	0	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Other Regular	0.00%	0	0.00%	0	0.00%	0	0.00%	0

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

See Independent Accountants' Report

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

**SOUTH LOUISIANA CHARTER FOUNDATION, INC.**  
**Baton Rouge, Louisiana**

**Schedule 7**

**Louisiana Educational Assessment Program (LEAP)**  
**For the Year Ended June 30, 2016**  
**Grades 3 - 8**

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 3</b>						
Advanced	1.00%	0.00%	4.00%	2.53%	0.00%	1.98%
Mastery	15.02%	9.56%	5.00%	16.16%	7.46%	0.00%
Basic	26.70%	21.11%	19.00%	29.80%	21.36%	38.61%
Approaching Basic	23.11%	35.17%	42.00%	26.77%	39.32%	31.68%
Unsatisfactory	34.18%	34.17%	30.00%	24.75%	31.87%	27.72%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 4</b>						
Advanced	0.00%	0.00%	0.00%	0.00%	0.00%	1.98%
Mastery	12.00%	11.62%	6.93%	4.02%	7.00%	0.99%
Basic	24.00%	24.24%	32.67%	24.15%	21.50%	10.89%
Approaching Basic	43.50%	42.93%	34.65%	37.69%	41.00%	45.54%
Unsatisfactory	20.50%	21.21%	25.74%	34.15%	30.50%	40.59%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 5</b>						
Advanced	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%
Mastery	10.50%	5.00%	0.00%	5.00%	2.49%	0.00%
Basic	34.50%	24.50%	29.00%	20.00%	13.95%	21.00%
Approaching Basic	29.50%	44.00%	26.00%	39.00%	52.25%	29.00%
Unsatisfactory	25.50%	26.50%	42.00%	36.00%	31.32%	50.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 6</b>						
Advanced	0.00%	0.00%	1.98%	0.00%	0.00%	2.00%
Mastery	6.06%	7.50%	0.00%	1.52%	6.48%	3.00%
Basic	35.85%	36.04%	44.55%	16.08%	30.37%	45.00%
Approaching Basic	41.94%	37.01%	30.69%	47.26%	41.75%	21.00%
Unsatisfactory	16.15%	19.45%	22.77%	35.15%	21.41%	29.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 7</b>						
Advanced	0.99%	0.00%	0.00%	2.00%	0.00%	0.00%
Mastery	5.47%	0.00%	0.00%	4.50%	0.00%	0.00%
Basic	37.78%	25.51%	0.00%	15.00%	17.00%	0.00%
Approaching Basic	36.86%	42.86%	0.00%	57.50%	44.00%	0.00%
Unsatisfactory	18.91%	31.63%	0.00%	21.00%	39.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 8</b>						
Advanced	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mastery	14.00%	0.00%	0.00%	5.00%	0.00%	0.00%
Basic	27.00%	0.00%	0.00%	17.00%	0.00%	0.00%
Approaching Basic	46.00%	0.00%	0.00%	38.00%	0.00%	0.00%
Unsatisfactory	13.00%	0.00%	0.00%	40.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>0.00%</b>

See Independent Accountants' Report

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

iLEAP Tests  
 For the Year Ended June 30, 2016  
 Grades 3 - 8

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 3</b>						
Advanced	0.00%	1.50%	0.00%	NA	0.00%	1.00%
Mastery	1.01%	5.49%	1.98%	NA	4.03%	5.00%
Basic	42.65%	32.36%	29.70%	NA	40.74%	26.00%
Approaching Basic	32.19%	32.86%	36.63%	NA	34.15%	33.00%
Unsatisfactory	24.15%	27.79%	31.68%	NA	21.08%	35.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>NA</b>	<b>100.00%</b>	<b>100.00%</b>

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 4</b>						
Advanced	0.00%	0.00%	0.00%	NA	0.00%	0.99%
Mastery	2.00%	4.00%	0.00%	NA	0.00%	3.96%
Basic	25.88%	31.00%	27.72%	NA	27.00%	16.83%
Approaching Basic	49.21%	35.50%	44.55%	NA	33.50%	46.53%
Unsatisfactory	22.91%	29.50%	27.72%	NA	39.50%	31.68%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>NA</b>	<b>100.00%</b>	<b>100.00%</b>

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 5</b>						
Advanced	0.00%	0.00%	0.00%	NA	0.00%	3.00%
Mastery	1.50%	0.00%	3.00%	NA	0.00%	0.00%
Basic	24.00%	25.50%	18.00%	NA	19.50%	29.00%
Approaching Basic	40.00%	33.00%	37.00%	NA	43.00%	26.00%
Unsatisfactory	34.50%	41.50%	42.00%	NA	37.50%	42.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>NA</b>	<b>100.00%</b>	<b>100.00%</b>

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 6</b>						
Advanced	0.00%	0.00%	0.00%	NA	0.00%	0.00%
Mastery	0.00%	3.50%	0.00%	NA	1.01%	1.00%
Basic	24.52%	32.00%	19.00%	NA	37.37%	19.00%
Approaching Basic	46.27%	41.50%	58.00%	NA	44.44%	40.00%
Unsatisfactory	29.21%	23.00%	23.00%	NA	17.17%	40.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>NA</b>	<b>100.00%</b>	<b>100.00%</b>

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 7</b>						
Advanced	0.00%	0.00%	0.00%	NA	0.00%	0.00%
Mastery	6.00%	0.00%	0.00%	NA	0.00%	0.00%
Basic	30.15%	17.35%	0.00%	NA	34.65%	0.00%
Approaching Basic	43.24%	48.98%	0.00%	NA	40.59%	0.00%
Unsatisfactory	20.61%	33.67%	0.00%	NA	24.75%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>NA</b>	<b>100.00%</b>	<b>0.00%</b>

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Students	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 8</b>						
Advanced	0.00%	0.00%	0.00%	NA	0.00%	0.00%
Mastery	2.00%	0.00%	0.00%	NA	0.00%	0.00%
Basic	14.00%	0.00%	0.00%	NA	0.00%	0.00%
Approaching Basic	49.00%	0.00%	0.00%	NA	0.00%	0.00%
Unsatisfactory	35.00%	0.00%	0.00%	NA	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>NA</b>	<b>0.00%</b>	<b>0.00%</b>

See Independent Accountants' Report

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





South Louisiana Charter  
FOUNDATION, INC.

December 23, 2016

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

Dear Mr. Purpera,

South Louisiana Charter Foundation respectfully submits the following corrective action plan for the year ended June 30, 2016.

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

Audit period: July 1, 2015 – June 30, 2016

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2016-001 School Activity Funds**

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

Management's Response: The school had turnover in the School Operations Administrator (SOA) position in FY16 which interfered with record retention, specifically related to daily cash receipts. The school has since had the lead trainer of the SOA position visit several times to reinforce CSUSA cash receipts policies and stress the importance of record retention. The Principal and Regional Director have also been notified that record retention has been a significant issue in the past and must be corrected. In order to assure the SOA is being diligent the staff accountant will be requesting sample audits throughout the year as it relates to cash deposits. We plan on increasing the frequency of these sample audits as a result of this finding. Any inconsistencies with the samples will be addressed with the SOA.

**MANAGEMENT LETTER COMMENTS**

**2016-1 Adherence to Capital Assets/Inventory Policies and Procedures**

Recommendation: The Foundation should remind personnel of the importance of adhering to established policies to ensure the risk of misappropriation of assets is mitigated through effective internal control. We recommend that each school designate personnel to perform an annual inventory of all capital assets. A

written policy for capital asset inventory procedures should also be developed and followed by school personnel.

Management's Response: The capital asset inventory policies related to non-IT related items will be re-written to properly reflect procedures that mitigate the risk of the misappropriation of assets. Such a policy was already implemented for IT items and will be applied for non-IT related items as well.

### **2016-2 Policies and Procedures over Federal Compliance**

Recommendation: The written policies and procedures of the Foundation should be enhanced to ensure compliance with the Uniform Guidance as it relates to allowable costs, procurement, and subrecipient monitoring, as applicable.

Management's Response: The Board will take measures to revise and develop written policies and procedures to ensure compliance with Uniform Guidance as it relates to allowable costs, procurement, and sub recipient monitoring, as applicable. Updated policies and procedures will be reviewed and adopted in accordance with the Board's standard parliamentary procedure.

### **AGREED UPON PROCEDURES**

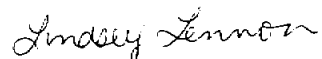
#### **Agreed Upon Procedure #9**

Result of Procedure: A sample of 10 classes was traced to the October 1 roll books to determine if the class was properly classified on Schedule 6. Of the 10 classes selected, differences between the roll book counts and the number reported in Schedule 6 were noted for 6 classes.

Management's Response: The discrepancies are a result of one of three things: 1) student listed in error did not have a schedule; 2) student dropped before Oct 1; or 3) student reported in SIS but not added by school. We will ensure that the roll books are corrected for such issues in the future.

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

Sincerely,



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

Board of Trustees  
South Louisiana Charter Foundation, Inc.  
Baton Rouge, LA

Richard Garcia, CFO  
Charter Schools USA  
Ft. Lauderdale, FL

In planning and performing our audit of the financial statements of the South Louisiana Charter Foundation, Inc. (the Foundation) for the year ended June 30, 2016, we considered the Foundation's internal controls and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matters that are opportunities for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 23, 2016, on the financial statements of the Foundation.

#### **2016-1 Adherence to Capital Assets/Inventory Policies and Procedures**

##### Condition:

Certain accounting policies and procedures related to capital assets are not being followed by school personnel. Specifically, while an annual inventory of information technology assets is being performed, no inventory is being performed as it relates to furniture and equipment assets. Additionally, no written policy describing the proper capital asset inventory procedures has been executed.

##### Recommendation:

The Foundation should remind personnel of the importance of adhering to established policies to ensure the risk of misappropriation of assets is mitigated through effective internal control. We recommend that each school designate personnel to perform an annual inventory of all capital assets. A written policy for capital asset inventory procedures should also be developed and followed by school personnel.

##### Management's Response:

The capital asset inventory policies related to non-IT related items will be re-written to properly reflect procedures that mitigate the risk of the misappropriation of assets. Such a policy was already implemented for IT items and will be applied for non-IT related items as well.

## 2016-2 Policies and Procedures over Federal Compliance

### Condition:

The Uniform Guidance administrative requirements and cost principles apply to federal funding awarded on or after December 26, 2014. 2 CFR 200, Subpart D – Post Federal Award Requirements and Subpart E – Cost Principles of the Uniform Guidance require specific written policies relative to federal awards. The written policies and procedures of the Foundation do not directly address the specific compliance requirements with the Uniform Guidance for federal programs.

### Recommendation:

The written policies and procedures of the Foundation should be enhanced to ensure compliance with the Uniform Guidance as it relates to allowable costs, procurement, and subrecipient monitoring, as applicable.

### Management's Response:

The Board will take measures to revise and develop written policies and procedures to ensure compliance with Uniform Guidance as it relates to allowable costs, procurement, and sub recipient monitoring, as applicable. Updated policies and procedures will be reviewed and adopted in accordance with the Board's standard parliamentary procedure.

*Postlethwait & Netterville*

Baton Rouge, Louisiana

December 23, 2016