

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

Audit of Financial Statements

June 30, 2019

DRAFT

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements).

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Choice Foundation, a Non-Profit Organization, as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2019, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of board of directors, the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), the statement of financial position by school, and the statement of activities by school are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A Professional Accounting Corporation

Covington, LA  
December 18, 2019

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**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Financial Position**  
**June 30, 2019**

**Assets**

**Current Assets**

Cash	\$ 1,566,593
Grants Receivable	502,875
Prepaid Expenses	94,812
Other Receivables	<u>338,837</u>

**Total Current Assets** 2,503,117

**Property and Equipment**

Furniture, Fixtures, and Equipment	291,458
Leasehold Improvements	478,740
Less: Accumulated Depreciation	<u>(330,717)</u>

**Net Property and Equipment** 439,481

**Total Assets** \$ 2,942,598

**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$ 128,666
Accrued Expenses	547,718
Lines of Credit	<u>1,390</u>

**Total Current Liabilities** 677,774

**Net Assets**

Without Donor Restrictions	2,241,552
With Donor Restrictions	<u>23,272</u>

**Total Net Assets** 2,264,824

**Total Liabilities and Net Assets** \$ 2,942,598

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
State and Local Public School Funding			
Minimum Foundation Program	\$ 14,759,243	\$ -	\$ 14,759,243
Federal Grants	2,011,061	-	2,011,061
Federal School Lunch Program	1,131,939	-	1,131,939
Other Income	616,510	-	616,510
Local Grants	-	2,059,071	2,059,071
Private Grants and Donations	-	358,179	358,179
Other State Funding	87,075	-	87,075
Interest Income	3,283	-	3,283
Net Assets Released from Restrictions	2,436,693	(2,436,693)	-
<b>Total Support and Revenue</b>	<b>21,045,804</b>	<b>(19,443)</b>	<b>21,026,361</b>
<b>Expenses</b>			
Program Services - Student Instruction and Activities			
Regular Education	9,665,085	-	9,665,085
Special Education	2,634,566	-	2,634,566
Pupil Support	820,050	-	820,050
Supporting Services			
Management and General	7,248,128	-	7,248,128
<b>Total Expenses</b>	<b>20,367,829</b>	<b>-</b>	<b>20,367,829</b>
<b>Change in Net Assets</b>	<b>677,975</b>	<b>(19,443)</b>	<b>658,532</b>
<b>Net Assets, Beginning of Year</b>	<b>1,563,577</b>	<b>42,715</b>	<b>1,606,292</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,241,552</b>	<b>\$ 23,272</b>	<b>\$ 2,264,824</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	<u>Program Services - Student Instruction and Activities</u>			<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Pupil Support</u>	<u>Management &amp; General</u>	
<b>Expenses</b>					
Salaries	\$ 5,054,898	\$ 1,893,644	\$ 338,333	\$ 2,862,547	\$ 10,149,422
Purchased Services	126,056	178,447	315,754	1,583,459	2,203,716
Purchased Transportation Service	1,240,683	212,200	-	-	1,452,883
Employee Benefits	559,101	189,787	30,777	258,936	1,038,601
Materials and Supplies	343,413	6,708	23,217	534,603	907,941
Food Service	859,420	-	-	-	859,420
Equipment and Furnishings	843,543	-	1,870	12,631	858,044
Payroll Taxes	414,995	149,370	25,449	204,277	794,091
Repairs and Maintenance	-	-	-	451,964	451,964
Insurance	-	-	-	339,989	339,989
Professional Development	40,034	4,110	1,125	263,928	309,197
Student Activities	177,926	106	78,183	-	256,215
Utilities	-	-	-	186,683	186,683
Other Miscellaneous Expenses	1,529	-	1,842	137,546	140,917
Renting and Leasing	-	-	-	133,982	133,982
Communications	-	-	-	132,193	132,193
Advertising and Marketing	-	-	-	49,163	49,163
Accounting/Audit Services	-	-	-	46,273	46,273
Depreciation	-	-	-	40,832	40,832
Dues and Fees	385	-	3,500	6,781	10,666
Travel	3,102	194	-	2,341	5,637
<b>Total Expenses</b>	<b>\$ 9,665,085</b>	<b>\$ 2,634,566</b>	<b>\$ 820,050</b>	<b>\$ 7,248,128</b>	<b>\$ 20,367,829</b>

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 658,532
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	40,832
(Increase) Decrease in:	
Certificates of Deposit	501,864
Grants Receivable	(61,452)
Prepaid Expenses	54,263
Other Receivables	(329,888)
Increase (Decrease) in:	
Accounts Payable	(143,468)
Accrued Judgment	(417,249)
Accrued Expenses	2,999

**Net Cash Provided by Operating Activities** 306,433

**Cash Flows from Investing Activities**

Purchase of Property and Equipment	<u>(268,754)</u>
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**Net Cash Used in Investing Activities** (268,754)

**Cash Flows from Financing Activities**

Payments on Lines of Credit	(540,610)
Proceeds from Lines of Credit	<u>541,000</u>

**Net Cash Provided by Financing Activities** 390

**Net Increase in Cash** 38,069

**Cash, Beginning of Year** 1,528,524

**Cash, End of Year** \$ 1,566,593

**Supplemental Disclosure of Cash Flow Information**

Cash Paid for Interest	<u><u>\$ 11,102</u></u>
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The accompanying notes are an integral part of these financial statements.

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

**Notes to Financial Statements**

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

**Organization**

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

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Lafayette Academy Charter School effective September 26, 2006. BESE granted the Foundation various extensions of Lafayette Academy Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LRS 17:3992 and 3998. During April 2017, the charter contract was transferred to OPSB and was converted to a Type 3B charter. In April 2019, the Orleans Parish School Board (OPSB) granted the Foundation a five-year renewal of Lafayette Academy Charter School's contract. The current charter contract with OPSB is scheduled to expire on June 30, 2024.

BESE approved the granting of a charter to the Foundation to operate Esperanza Charter School effective July 1, 2010. BESE granted the Foundation various extensions of Esperanza Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LRS 17:3992 and 3998. During April 2017, the charter contract was transferred to OPSB and was converted to a Type 3B charter. The current charter contract with OPSB is scheduled to expire on June 30, 2022.

The Foundation and its charter schools provide student instruction and activities as part of regular education, special education, and pupil support services programs.

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

**Basis of Net Asset Presentation**

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* - Net assets for general use that are not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

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

**Notes to Financial Statements**

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

**Basis of Accounting**

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

The activities of the Foundation and its charter schools are accounted for separately. The accompanying statement of financial position by school and statement of activities by school include the accounts of Choice Foundation and the two aforementioned d/b/a schools. All significant inter-school transactions and balances have been eliminated. The schools and Choice Foundation are collectively referred to as the Foundation.

**Functional Expenses**

The costs of providing the program services and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or student count. Expenses allocated based on student count during the year ended June 30, 2019 include purchased services. There were no expenses that were allocated based on time and effort during the year ended June 30, 2019.

**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**

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Foundation's bank accounts from donations received from individuals or entities who specified the use of the contribution. At June 30, 2019, there were no restricted cash balances.

**Statement of Cash Flows**

For purposes of the statement of cash flows, the Foundation considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2019, the Foundation had no cash equivalents.

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

**Notes to Financial Statements**

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

**Grants Receivable**

The Foundation received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at year-end are stated at unpaid balances for expenditures incurred during the year. As of June 30, 2019, based on management's experience with the collection of grants from the State of Louisiana, the grants receivable are considered to be fully collectible.

**Contributions and Revenue Recognition**

Grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Foundation will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

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

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

**Property and Equipment**

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

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

**Notes to Financial Statements**

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

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

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

**Income Taxes**

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

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

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

**Compensated Absences**

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

**Reversionary Interest in Funds and Assets**

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

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

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

**Notes to Financial Statements**

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

**Recent Accounting Pronouncements - Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Foundation does not anticipate that the adoption of this standard will have a material impact on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is evaluating the impact that ASU 2016-02 will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. ASU 2018-08 is effective for the Foundation on July 1, 2020. Management is currently evaluating the impact ASU 2018-08 will have on the financial statements.

**Recent Accounting Pronouncements - Adopted**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no reclassification of net assets.

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

**Notes to Financial Statements**

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**Note 2. Concentrations**

The Foundation received 70% of its revenues for the year ended June 30, 2019 from the State of Louisiana, subject to its charter agreement with the State. The Foundation received 15% of its revenues for the year ended June 30, 2019 from the federal government, subject to grant agreements with the United States Department of Agriculture, the United States Department of Education, and the United States Department of Health and Human Services. The Foundation received 10% of its revenues for the year ended June 30, 2019 from the Orleans Parish School Board, subject to a grant award required that the Foundation grant a full release, discharge, and acquittance to OPSB related to any claims from asbestos abatement work at the Lafayette Academy Charter School campus.

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

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be recovered. The Foundation periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2019, the Foundation's bank balances were \$2,078,435. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$250,000. The remaining deposits of \$1,828,435 were uninsured. The Foundation has not experienced any losses as a result of this practice.

**Note 3. Cash**

The Foundation's cash (book balance) at June 30, 2019, was \$1,566,593, which is stated at cost and approximates market.

**Note 4. Grants Receivable**

As of June 30, 2019, grants receivable totaled \$502,875, which were receivables for federal and state grants passed through the Louisiana Department of Education, Orleans Parish School Board, and New Schools for New Orleans. The stated balance is considered to be fully collectible.

**Note 5. Property and Equipment**

Depreciation expense totaled \$40,832, for the year ended June 30, 2019.

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

**Notes to Financial Statements**

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**Note 6. Retirement Plan**

Effective July 1, 2011, the Foundation began offering a 401(k) plan to employees age 21 or older who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the IRS. The Foundation provides a 3% safe harbor match and matches up to 2% of elective contributions determined from year to year. The Foundation match for the year ended June 30, 2019, amounted to \$399,661.

**Note 7. Leases**

Effective September 26, 2006, the Foundation entered into an agreement with the Recovery School District of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is a component of Lafayette Academy Charter School's charter agreement and is currently scheduled to expire on June 30, 2024.

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

During 2018, the Foundation entered into an agreement with the OPSB of the State of Louisiana which allows the Foundation to use the facilities and its contents located at 9330 Forshey Street, New Orleans, LA 70118. The lease agreement is designated to Lafayette Academy Charter School and is currently scheduled to expire on June 30, 2021. The lease calls for payments based on a use fee and participation in OPSB's Per Pupil Unit Cost Program.

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

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

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

**Notes to Financial Statements**

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**Note 7. Leases (Continued)**

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

**Note 8. Lines of Credit**

Lafayette Academy Charter School has a \$250,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (5.50% at June 30, 2019), adjusted daily. The line is unsecured. The balance on the line of credit was \$1,390, at June 30, 2019.

Esperanza Charter School has a \$175,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (5.50% at June 30, 2019), adjusted daily. The line is unsecured. The balance on the line of credit was \$0-, at June 30, 2019.

**Note 9. Minimum Foundation Program (MFP)**

The OPSB provides funding to the State of Louisiana, collected from local agencies, which passes through to the Foundation as local MFP, which is determined on an annual basis based on the number of pupils enrolled as of October 1<sup>st</sup>. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2019, the Foundation recognized revenue of \$8,176,143.

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the schools of the Foundation as of October 1<sup>st</sup>. This state-funded per pupil allocation is based on the most recently approved MFP formula resolution. For the year ended June 30, 2019, the Foundation recognized revenue of \$6,397,322.

The Foundation received certain special distributions from OPSB related to MFP true-up calculations performed by OPSB for previous years. For the year ended June 30, 2019, the Foundation recognized revenue of \$185,778 related to these distributions.

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

**Notes to Financial Statements**

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**Note 10. Restrictions on Assets**

Net assets with donor restrictions are restricted by donors for specific time periods or specific programs, purposes, or to assist specific departments of the Foundation. These restrictions are considered to expire when payments for restricted purposes are made. Net assets with donor restrictions totaled \$23,272 at June 30, 2019, and were available for Project Lead the Way and Pro Bono Publico programs.

**Note 11. Commitments and Contingencies**

The Foundation has employment contracts, as are standard in the field of education, with most of its employees. The contracts for the current year expired June 30, 2019. All contracts provide for a minimum annual salary and benefits.

On October 19, 2017, a judgment was rendered against the Foundation in a lawsuit related to an injured student. Damages awarded include general damages, loss consortium, special damages, and medical expenses. The total estimated cost of the judgment was \$417,249 and was recorded on the statement of financial position as of June 30, 2018. During May 2019, an appellate court vacated the judgment against the Foundation. The previously accrued judgment was reversed and removed from the statement of financial position and the effects of the reversal were recorded as other income during the year ended June 30, 2019. The Foundation has also filed a countersuit against its insurance company related to this lawsuit for failing to appear in court to defend the case on behalf of the Foundation. Any estimated recoverable amount has not been reflected in the Foundation's financial statements.

**Note 12. Risk Management**

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2019.

**Note 13. Charter Management Organization (CMO) Fees**

As the administrator of the schools, Choice Foundation incurs and records overhead costs on behalf of all of its schools. Management of the Foundation estimates an allocable amount of these costs to be charged to the schools on an annual basis using a predetermined rate and student head count. CMO fees allocated and charged to schools totaled \$1,590,437 during the year ended June 30, 2019. CMO fees have been eliminated from Other Income and Management and General Expenses on the accompanying Statement of Activities and Changes in Net Assets.

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

**Notes to Financial Statements**

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**Note 14. Liquidity and Availability**

The Foundation's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Foundation has available. In addition, the Foundation operates within a budget to monitor sources and uses of funds throughout the year. As reported in Note 8, the Foundation has access to certain lines of credit as part of its availability of funds. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$	1,543,321
Grants Receivable		502,875
Other Receivables		<u>338,837</u>
<b>Total</b>	<b>\$</b>	<b><u><u>2,385,033</u></u></b>

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 18, 2019, and determined that the following subsequent events occurred that require disclosure.

During July 2019, the Foundation entered into an agreement with Community Academies to outsource certain academic leadership roles for the fiscal year.

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

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

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

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

The procedures and associated findings are as follows:

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

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

1. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of ten classes to the October 1<sup>st</sup> 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)

2. We obtained October 1<sup>st</sup> 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: None.

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

3. We obtained June 30<sup>th</sup> 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 Foundation, as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A Professional Accounting Corporation

Covington, LA  
December 18, 2019

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**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**Schedules Required by Louisiana State Law**  
**(R.S. 24:514 - Performance and Statistical Data)**  
**As of and For the Year Ended June 30, 2019**

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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.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2019**

**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures**

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$	4,168,758
Other Instructional Staff Activities		1,173,710
Instructional Staff Employee Benefits		1,053,777
Purchased Professional and Technical Services		490,698
Instructional Materials and Supplies		346,799
Instructional Equipment		159,250
		<u>7,392,992</u>
<b>Total Teacher and Student Interaction Activities</b>	\$	<b>7,392,992</b>
Other Instructional Activities		35,713
Pupil Support Services		416,059
Less: Equipment for Pupil Support Services		<u>-</u>
<b>Net Pupil Support Services</b>		<b>416,059</b>
Instructional Staff Services		62
Less: Equipment for Instructional Staff Services		<u>-</u>
<b>Net Instructional Staff Services</b>		<b>62</b>
School Administration		807,708
Less: Equipment for School Administration		<u>-</u>
<b>Net School Administration</b>		<b>807,708</b>
<b>Total General Fund Instructional Expenditures</b>	\$	<b>8,652,534</b>
<b>Total General Fund Equipment Expenditures</b>	\$	<b>159,250</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		<u>-</u>
<b>Total Local Taxation Revenue</b>	\$	<b>-</b>

**Local Earnings on Investment in Real Property**

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

**State Revenue in Lieu of Taxes**

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

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

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

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Class Size Characteristics**  
**As of October 1, 2018**

**Schedule 2**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	78	19%	222	55%	105	26%	0	0%
Elementary Activity Classes	8	15%	31	57%	15	28%	0	0%

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

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**SUPPLEMENTARY INFORMATION**

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Schedule of Board of Directors  
For the Year Ended June 30, 2019**

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**Board Members**

**Compensation**

James Swanson, President	\$ -0-
Anthony Carter, Vice President	\$ -0-
Hans Jonassen, Treasurer	\$ -0-
Donald Beery	\$ -0-
Blair DuQuesnay	\$ -0-
Fritz Gomila	\$ -0-
Wendy Lodrig	\$ -0-
Marc Naoplean	\$ -0-
Margo Phelps	\$ -0-
Jesse Stewart	\$ -0-
Kate Werner	\$ -0-
Robert Worley	\$ -0-

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Schedule of Compensation, Benefits and Other Payments  
to Agency Head  
For the Year Ended June 30, 2019**

**Agency Heads**

Charles "Mickey" Landry, Executive Director  
James Fulton, Chief Operations Officer / Executive Director  
Susan Jurkunas, Systems Accountability Officer  
Adam Hawf, Outsourced Executive

Purpose	July 1, 2018 through January 18, 2019	January 19, 2019 through April 3, 2019			April 4, 2019 through June 30, 2019
	Charles "Mickey" Landry, Executive Director	James Fulton, Chief Operations Officer	Susan Jurkunas, Systems Accountability Officer	Adam Hawf, Outsourced Executive	James Fulton, Executive Director
	Amount	Amount	Amount	Amount	Amount
Salary	\$136,635	\$25,543	\$39,442	\$73,350	\$59,039
Benefits - Insurance	\$1,872	\$1,376	\$1,376	\$0	\$2,051
Benefits - Retirement	\$6,570	\$1,277	\$2,254	\$0	\$2,613
Benefits - Other	\$0	\$0	\$0	\$0	\$0
Car Allowance	\$0	\$0	\$0	\$0	\$0
Vehicle Provided by Government	\$0	\$0	\$0	\$0	\$0
Per Diem	\$0	\$0	\$0	\$0	\$0
Reimbursements	\$0	\$0	\$0	\$0	\$0
Travel	\$0	\$0	\$0	\$0	\$0
Registration Fees	\$0	\$0	\$0	\$0	\$0
Conference Travel	\$0	\$0	\$0	\$0	\$0
Continuing Professional Education Fees	\$0	\$0	\$0	\$0	\$0
Housing	\$0	\$0	\$0	\$0	\$0
Unvouchered Expenses	\$0	\$0	\$0	\$0	\$0
Special Meals	\$0	\$0	\$0	\$0	\$0

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Financial Position by School**  
**June 30, 2019**

	Lafayette Academy Charter School	Esperanza Charter School	Choice Foundation	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 1,153,301	\$ 225,528	\$ 187,764	\$ -	\$ 1,566,593
Grants Receivable	350,267	152,608	-	-	502,875
Prepaid Expenses	55,559	29,503	9,750	-	94,812
Intercompany Receivables	679,702	1,846,615	512,477	(3,038,794)	-
Other Receivables	338,837	-	-	-	338,837
<b>Total Current Assets</b>	<b>2,577,666</b>	<b>2,254,254</b>	<b>709,991</b>	<b>(3,038,794)</b>	<b>2,503,117</b>
<b>Property and Equipment</b>					
Furniture, Fixtures, and Equipment	144,132	147,326	-	-	291,458
Leasehold Improvements	83,747	394,993	-	-	478,740
Less: Accumulated Depreciation	(18,037)	(312,680)	-	-	(330,717)
<b>Net Property and Equipment</b>	<b>209,842</b>	<b>229,639</b>	<b>-</b>	<b>-</b>	<b>439,481</b>
<b>Total Assets</b>	<b>\$ 2,787,508</b>	<b>\$ 2,483,893</b>	<b>\$ 709,991</b>	<b>\$ (3,038,794)</b>	<b>\$ 2,942,598</b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 95,290	\$ 25,352	\$ 8,024	\$ -	\$ 128,666
Accrued Expenses	364,411	182,686	621	-	547,718
Lines of Credit	1,390	-	-	-	1,390
Intercompany Payables	1,872,049	526,782	639,963	(3,038,794)	-
<b>Total Current Liabilities</b>	<b>2,333,140</b>	<b>734,820</b>	<b>648,608</b>	<b>(3,038,794)</b>	<b>677,774</b>
<b>Net Assets</b>					
Without Donor Restrictions	431,096	1,749,073	61,383	-	2,241,552
With Donor Restrictions	23,272	-	-	-	23,272
<b>Total Net Assets</b>	<b>454,368</b>	<b>1,749,073</b>	<b>61,383</b>	<b>-</b>	<b>2,264,824</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,787,508</b>	<b>\$ 2,483,893</b>	<b>\$ 709,991</b>	<b>\$ (3,038,794)</b>	<b>\$ 2,942,598</b>

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities by School**  
**For the Year Ended June 30, 2019**

	Lafayette Academy Charter School			Esperanza Charter School		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
State and Local Public School Funding						
Minimum Foundation Program	\$ 9,400,487	\$ -	\$ 9,400,487	\$ 5,358,756	\$ -	\$ 5,358,756
Federal Grants	1,360,589	-	1,360,589	650,472	-	650,472
Federal School Lunch Program	749,711	-	749,711	382,228	-	382,228
Other Income	574,580	-	574,580	18,475	-	18,475
Local Grants	-	2,059,071	2,059,071	-	-	-
Private Grants and Donations	-	23,929	23,929	-	47,596	47,596
Other State Funding	74,245	-	74,245	12,830	-	12,830
Interest Income	3,142	-	3,142	141	-	141
Net Assets Released from Restrictions	2,102,443	(2,102,443)	-	47,596	(47,596)	-
<b>Total Support and Revenue</b>	<b>14,265,197</b>	<b>(19,443)</b>	<b>14,245,754</b>	<b>6,470,498</b>	<b>-</b>	<b>6,470,498</b>
<b>Expenses</b>						
Program Services - Student Instruction and Activities						
Regular Education	6,845,734	-	6,845,734	2,819,351	-	2,819,351
Special Education	1,534,724	-	1,534,724	1,099,842	-	1,099,842
Pupil Support	569,432	-	569,432	250,618	-	250,618
Supporting Services						
Management and General	4,879,345	-	4,879,345	2,058,677	-	2,058,677
<b>Total Expenses</b>	<b>13,829,235</b>	<b>-</b>	<b>13,829,235</b>	<b>6,228,488</b>	<b>-</b>	<b>6,228,488</b>
<b>Change in Net Assets</b>	<b>435,962</b>	<b>(19,443)</b>	<b>416,519</b>	<b>242,010</b>	<b>-</b>	<b>242,010</b>
<b>Net Assets, Beginning of Year</b>	<b>(4,866)</b>	<b>42,715</b>	<b>37,849</b>	<b>1,507,063</b>	<b>-</b>	<b>1,507,063</b>
<b>Net Assets, End of Year</b>	<b>\$ 431,096</b>	<b>\$ 23,272</b>	<b>\$ 454,368</b>	<b>\$ 1,749,073</b>	<b>\$ -</b>	<b>\$ 1,749,073</b>

See independent auditor's report.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION**  
**NEW ORLEANS, LOUISIANA**  
**Statement of Activities by School (Continued)**  
**For the Year Ended June 30, 2019**

	Choice Foundation			Eliminating			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>									
State and Local Public School Funding									
Minimum Foundation Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,759,243	\$ -	\$ 14,759,243
Federal Grants	-	-	-	-	-	-	2,011,061	-	2,011,061
Federal School Lunch Program	-	-	-	-	-	-	1,131,939	-	1,131,939
Other Income	1,613,892	-	1,613,892	(1,590,437)	-	(1,590,437)	616,510	-	616,510
Local Grants	-	-	-	-	-	-	-	2,059,071	2,059,071
Private Grants and Donations	-	286,654	286,654	-	-	-	-	358,179	358,179
Other State Funding	-	-	-	-	-	-	87,075	-	87,075
Interest Income	-	-	-	-	-	-	3,283	-	3,283
Net Assets Released from Restrictions	286,654	(286,654)	-	-	-	-	2,436,693	(2,436,693)	-
<b>Total Support and Revenue</b>	<b>1,900,546</b>	<b>-</b>	<b>1,900,546</b>	<b>(1,590,437)</b>	<b>-</b>	<b>(1,590,437)</b>	<b>21,045,804</b>	<b>(19,443)</b>	<b>21,026,361</b>
<b>Expenses</b>									
Program Services - Student Instruction and Activities									
Regular Education	-	-	-	-	-	-	9,665,085	-	9,665,085
Special Education	-	-	-	-	-	-	2,634,566	-	2,634,566
Pupil Support	-	-	-	-	-	-	820,050	-	820,050
Supporting Services									
Management and General	1,900,543	-	1,900,543	(1,590,437)	-	(1,590,437)	7,248,128	-	7,248,128
<b>Total Expenses</b>	<b>1,900,543</b>	<b>-</b>	<b>1,900,543</b>	<b>(1,590,437)</b>	<b>-</b>	<b>(1,590,437)</b>	<b>20,367,829</b>	<b>-</b>	<b>20,367,829</b>
<b>Change in Net Assets</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>677,975</b>	<b>(19,443)</b>	<b>658,532</b>
<b>Net Assets, Beginning of Year</b>	<b>61,380</b>	<b>-</b>	<b>61,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,563,577</b>	<b>42,715</b>	<b>1,606,292</b>
<b>Net Assets, End of Year</b>	<b>\$ 61,383</b>	<b>\$ -</b>	<b>\$ 61,383</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,241,552</b>	<b>\$ 23,272</b>	<b>\$ 2,264,824</b>

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

A Professional Accounting Corporation

Covington, LA  
December 18, 2019

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

Independent Auditor's Report

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

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

A Professional Accounting Corporation

Covington, LA  
December 18, 2019

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>United States Department of Agriculture</u></b>			
Passed through the Louisiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	NONE	\$ 371,152
National School Lunch Program	10.555	NONE	<u>740,556</u>
Total Child Nutrition Cluster			1,111,708
Child and Adult Care Food Program	10.558	NONE	<u>20,231</u>
<b>Total United States Department of Agriculture</b>			<u>1,131,939</u>
<b><u>United States Department of Education</u></b>			
Passed through the Louisiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010A	S010A180018	1,187,409
Title I Grants to Local Educational Agencies - Direct Student Services	84.010A	S010A180018	<u>35,897</u>
Total Title I, Part A			1,223,306 *
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA Part B)	84.027A	H027A180033	342,705
Special Education - High Cost Services (IDEA Part B)	84.027A	H027A180033	35,088
Special Education - Preschool Grants (IDEA Preschool)	84.173A	H173A180082	<u>2,590</u>
Total Special Education Cluster (IDEA)			380,383
Title III English Language Acquisition State Grants	84.365A	S365A180018	30,753
Title II Supporting Effective Instruction State Grants	84.367A	S367A180017	111,115
Title IV Student Support and Academy Enrichment	84.424A	S424A180019	<u>59,842</u>
<b>Total United States Department of Education</b>			<u>1,805,399</u>
<b><u>United States Department of Health and Human Services</u></b>			
Passed through the Louisiana Department of Education			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	<u>49,923</u>
<b>Total United States Department of Health and Human Services</b>			<u>49,923</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,987,261</u>

\* Denotes Major Program

See notes to schedule of expenditures of federal awards.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

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**Note 1. General**

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of the federal awards of Choice Foundation, a Non-Profit Organization (the Foundation). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2019. All federal awards received from federal agencies are included on the schedule.

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

**Basis of Presentation**

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

**Accrued Reimbursement**

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

**Federal Revenues not Considered Federal Awards**

The Foundation recorded federal Medicaid revenues and related expenses of \$155,739 that were not considered federal awards. As such, this amount was excluded from this schedule.

**Note 3. Indirect Cost Rates**

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

Certain costs, such as those associated with budgeting, accounting, personnel administration, et cetera, benefit more than one program but are not readily assignable to the programs receiving the benefits. Some agencies and universities apply a federally-approved indirect cost rate to direct program costs to recover a portion of these indirect costs from federal grants or contracts. Indirect costs charged to federal grants and contracts by means of approved indirect cost rates are recognized as disbursements or expenditures in the SEFA.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
 NEW ORLEANS, LOUISIANA  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019**

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

**Financial Statement Section**

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

**Federal Awards Section**

- |   |            |
|---|------------|
| 3. Type of auditor's report issued on compliance for major programs                   | Unmodified |
| 4. Internal control over major programs   |            |
| a. Material weaknesses identified?  | None       |
| b. Significant deficiencies identified not considered to be material weaknesses?      | None       |
| 5. Audit findings disclosed that are required in accordance with the Uniform Guidance | None       |
| 6. Identification of major programs   |            |
| 84.010A - Title I Grants to Local Educational Agencies                                |            |
| 7. Dollar threshold used to distinguish between Type A and B programs                 | \$750,000  |
| 8. Auditee qualified as a low-risk auditee under the Uniform Guidance                 | Yes        |

**Part II - Financial Statement Findings Section**

None.

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

None.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION  
NEW ORLEANS, LOUISIANA  
Summary Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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**Part I - Financial Statement Findings Section**

None.

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

None.

DRAFT