

Lagniappe Academies of New Orleans

Combined Financial Statements

For the Years Ended June 30, 2014 and 2013



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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lagniappe Academies of New Orleans
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying Combined Financial Statements of Lagniappe Academies of New Orleans (a nonprofit organization) ("Lagniappe"), which comprise the Combined Statements of Financial Position as of June 30, 2014 and 2013, and the related Combined Statements of Activities, Functional Expenses, and Cash Flows for the years 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 combined 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 combined 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 combined financial statements based on our audits. 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 combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Lagniappe as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Combined Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information in Schedules Combining Statement of Financial Position and Activities are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, activities, and cash flows of the individual organizations, and it is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures 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. In our opinion, the combining information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of Lagniappe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Carr, Riggs & Ingram, LLC

November 13, 2014

Lagniappe Academies of New Orleans
Combined Statements of Financial Position

| <i>June 30,</i> | <i>2014</i> | <i>2013</i> |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 78,116 | \$ 98,087 |
| Other receivables | 22,168 | 19,583 |
| Restricted cash | - | 2,093 |
| Total Current Assets | 100,284 | 119,763 |
| Property and equipment, net | 1,686,417 | 1,787,651 |
| Total Assets | \$ 1,786,701 | \$ 1,907,414 |
| Liabilities and net assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 76,824 | \$ 20,523 |
| Notes payable, current | 256,504 | 240,406 |
| Total Current Liabilities | 333,328 | 260,929 |
| Notes payable, noncurrent | 884,177 | 1,140,681 |
| Total Liabilities | 1,217,505 | 1,401,610 |
| Net Assets | | |
| Unrestricted | 569,196 | 503,711 |
| Temporarily restricted | - | 2,093 |
| Total Net Assets | 569,196 | 505,804 |
| Total Liabilities and Net Assets | \$ 1,786,701 | \$ 1,907,414 |

The accompanying footnotes are an integral part of these combined financial statements.

**Lagniappe Academies of New Orleans
Combined Statements of Activities**

| <i>For the year ended June 30,</i> | <i>2014</i> | | | <i>2013</i> |
|--|---------------------|-----------------------------------|------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| Public Support Revenues and Other Support: | | | | |
| Donations and contributions | \$ 597,026 | \$ - | \$ 597,026 | \$ 709,519 |
| Federal sources | 350,607 | - | 350,607 | 253,515 |
| Other state and local sources | 1,019,771 | - | 1,019,771 | 607,337 |
| State public school funds | 580,067 | - | 580,067 | 439,369 |
| Interest Income | - | - | - | 30 |
| Total Public Support and Other Revenues | 2,547,471 | - | 2,547,471 | 2,009,770 |
| Net Assets Released from Restrictions | | | | |
| Restrictions satisfied by payments | 2,093 | (2,093) | - | - |
| Total Support, Revenues and Reclassifications | 2,549,564 | (2,093) | 2,547,471 | 2,009,770 |
| Expenses | | | | |
| Program services: | | | | |
| Instructional | 1,052,434 | - | 1,052,434 | 806,241 |
| Supporting services: | | | | |
| Management and general | 1,431,645 | - | 1,431,645 | 1,247,059 |
| Total Expenses | 2,484,079 | - | 2,484,079 | 2,053,300 |
| Increase (Decrease) in Net Assets | 65,485 | (2,093) | 63,392 | (43,530) |
| Net assets at beginning of fiscal year | 503,711 | 2,093 | 505,804 | 549,334 |
| Net assets at end of fiscal year | \$ 569,196 | \$ - | \$ 569,196 | \$ 505,804 |

The accompanying footnotes are an integral part of these combined financial statements.

Lagniappe Academies of New Orleans
Combined Statements of Cash Flows

| <i>For the year ended June 30,</i> | 2014 | 2013 |
|---|------------------|-------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 63,392 | \$ (43,530) |
| Adjustments to reconcile the change in net assets to cash provided by operating activities: | | |
| Depreciation | 101,234 | 103,365 |
| Increase in operating assets: | | |
| Other receivables | (2,585) | (14,063) |
| Increase/(decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 56,301 | (25,722) |
| Net cash provided by operating activities | 218,342 | 20,050 |
| Cash Flows from Financing Activities: | | |
| Payments on long-term debt | (240,406) | (225,314) |
| Net cash (used in) provided by financing activities | (240,406) | (225,314) |
| Net increase (decrease) in cash and cash equivalents | (22,064) | (205,264) |
| Cash and Cash Equivalents, Beginning of Fiscal Year | 100,180 | 305,444 |
| Cash and Cash Equivalents, End of Fiscal Year | \$ 78,116 | \$ 100,180 |
| Supplemental Disclosure & Cash Flow Information: | | |
| Cash paid for interest | \$ 82,992 | \$ 97,783 |
| As reported in the accompanying combined statements of financial position | | |
| Cash and Cash Equivalents | \$ 78,116 | \$ 98,087 |
| Restricted Cash | - | 2,093 |
| Total cash | \$ 78,116 | \$ 100,180 |

The accompanying footnotes are an integral part of these combined financial statements.

**Lagniappe Academies of New Orleans
Combined Statement of Functional Expenses**

| <i>For the year ended June 30, 2014</i> | Instructional | Management And General | Total |
|---|----------------------|---------------------------------------|---------------------|
| Salaries and benefits | \$ 675,754 | \$ 647,983 | \$ 1,323,737 |
| Professional services | 111,062 | 210,116 | 321,178 |
| Food service | 174,830 | - | 174,830 |
| Bus service | - | 106,628 | 106,628 |
| Depreciation | - | 101,234 | 101,234 |
| Supplies | 74,723 | 18,224 | 92,947 |
| Interest expense | - | 82,992 | 82,992 |
| Purchased property services | - | 72,740 | 72,740 |
| Insurance | - | 66,834 | 66,834 |
| Rent | - | 52,869 | 52,869 |
| Miscellaneous expenses | 217 | 47,264 | 47,481 |
| Telephone and postage | - | 14,962 | 14,962 |
| Textbooks | 14,687 | - | 14,687 |
| Travel | 781 | 8,883 | 9,664 |
| Printing and binding | 380 | 351 | 731 |
| Dues and fees | - | 565 | 565 |
| Total Expenses | \$ 1,052,434 | \$ 1,431,645 | \$ 2,484,079 |

The accompanying footnotes are an integral part of these combined financial statements.

**Lagniappe Academies of New Orleans
Combined Statement of Functional Expenses**

| <i>For the year ended June 30, 2013</i> | Instructional | Management And General | Total |
|---|----------------------|---------------------------------------|---------------------|
| Salaries and benefits | \$ 526,449 | \$ 606,810 | \$ 1,133,259 |
| Professional services | 56,710 | 124,305 | 181,015 |
| Food service | 164,355 | - | 164,355 |
| Depreciation | - | 103,365 | 103,365 |
| Bus service | - | 100,110 | 100,110 |
| Interest expense | - | 97,783 | 97,783 |
| Purchased property services | - | 78,057 | 78,057 |
| Supplies | 37,443 | 17,054 | 54,497 |
| Rent | - | 50,835 | 50,835 |
| Insurance | - | 48,620 | 48,620 |
| Textbooks | 20,353 | - | 20,353 |
| Telephone and postage | - | 11,567 | 11,567 |
| Travel | - | 4,453 | 4,453 |
| Miscellaneous expenses | 931 | 2,561 | 3,492 |
| Dues and fees | - | 1,539 | 1,539 |
| Total Expenses | \$ 806,241 | \$ 1,247,059 | \$ 2,053,300 |

The accompanying footnotes are an integral part of these combined financial statements.

Lagniappe Academies of New Orleans

Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lagniappe Academies of New Orleans (a nonprofit organization) (“LANO”) was incorporated in the fall of 2009 for the purpose of operating a charter school in New Orleans, Louisiana. LANO was created to provide young people with the education and skills needed in a community-centered, neighborhood academy. The State Board of Elementary and Secondary Education granted LANO a Type 5 charter to operate Lagniappe Academies of New Orleans.

Lagniappe Project of New Orleans, Inc. (a nonprofit organization) (“LPNO”) was incorporated in the fall of 2008 for the purpose of creating, developing, managing, operating, guiding, directing, promoting, and supporting Louisiana public charter schools, creating, developing, managing, operating, guiding, directing, promoting, and supporting medical facilities for parents and families of school children and staff at such schools.

Both LANO and LPNO share common control and management, and therefore their respective financial statements are combined, as required by FASB ASC 810. The combined entity is referred to as “Lagniappe” throughout this report.

Basis of Accounting

The combined 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 cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The allocation between functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook (LAUGH).

Property and Equipment

All purchases of property and equipment in excess of \$5,000 are capitalized. The straight line method of depreciation is used for assets owned by Lagniappe. Computer equipment has a useful life of 3 years, and buildings have a useful life of 20 years.

Income Tax Status

LANO is a Louisiana nonprofit organization under Section 501(c)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundations. LPNO is a Louisiana nonprofit organization

Lagniappe Academies of New Orleans Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

under Section 501(c)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundation. Lagniappe's management believes that Lagniappe continues to operate in a manner that preserves its tax exempt status.

On January 1, 2009, Lagniappe adopted a standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the combined financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. Lagniappe recognizes the combined financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the combined financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, Lagniappe applied the new accounting standard to all tax positions for which the statute of limitations remained open. Lagniappe did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard.

Based on its evaluation, Lagniappe has concluded that there are no significant uncertain tax positions requiring recognition in its combined financial statements. Lagniappe is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before 2010.

Public Support and Revenue

Lagniappe receives its support primarily from the Louisiana State Department of Education, the United States Department of Education, and private contributions.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

Lagniappe recognizes revenue for reimbursable Food Services received from The Louisiana Recovery School District ("RSD"). Lagniappe uses Revolution Foods, Inc. for all food services. The school pays for all food services and submits reimbursement requests each month to RSD for the reimbursable portion of the expense.

Lagniappe Academies of New Orleans Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RSD deposits reimbursement amounts directly into the school's bank account. The revenue and expense incurred by this grant was \$159,784 and \$138,403 for the years ended June 30, 2014 and 2013, respectively and recorded in the Combined Statements of Activities.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities as net assets released from restrictions.

Grants receivable make up a significant portion of Lagniappe's assets. Management has determined that these receivables are fully collectible, and therefore no allowance for doubtful accounts has been recorded.

Estimates

The preparation of combined 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 amounts could differ from those estimates.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less.

Basis of Presentation

Lagniappe follows the provisions of *Not-For-Profit Entities* Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into three separate classes of net assets, as follows:

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Lagniappe Academies of New Orleans Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Temporarily Restricted - Net assets whose use by Lagniappe is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of Lagniappe pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by Lagniappe is limited by donor- imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of Lagniappe.

Subsequent Events

Subsequent events have been evaluated through November 13, 2014, the date the combined financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Lagniappe maintains its cash balances at one financial institution. The balances may exceed the federally insured limits at times throughout the year.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment for Lagniappe as of June 30, 2014 and 2013 consists of the following:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|---------------------|---------------------|
| Buildings | \$ 2,024,674 | \$ 2,024,674 |
| Computer Equipment | 7,969 | 9,101 |
| Accumulated depreciation | <u>(346,226)</u> | <u>(246,124)</u> |
| Property and equipment, net | <u>\$ 1,686,417</u> | <u>\$ 1,787,651</u> |

Depreciation expense for Lagniappe was \$101,234 and \$103,365 for the years ended June 30, 2014 and 2013, respectively

Lagniappe Academies of New Orleans Notes to Combined Financial Statements

NOTE 4: RETIREMENT PLAN

Substantially all employees of Lagniappe are members of an employer sponsored 403(b) plan. Covered employees may elect to contribute a portion of their salaries to the plan. Lagniappe's matching contribution to the Plan is 100% of the participant's contributions not to exceed 2% of the participant's compensation. Lagniappe may also make discretionary employer contributions into the plan. Lagniappe made contributions to the plan of \$72,170 and \$65,288 for the years ended June 30, 2014 and 2013, respectively.

NOTE 5: COMPENSATED ABSENCES

School-Based Employees:

All school-based employees are allowed to use an unspecified number of "sick days." These days are to be used in case of illness of employee or family members. Employees are also granted one "personal day" to handle personal affairs, or for any other personal reason an employee needs a day off. No personal or sick days are carried over into future years and may not be redeemed for additional compensation at the end of the fiscal year.

Funding Policy:

School Support Center staff work throughout the year and observe the school holidays. All full time Lagniappe employees will receive a total of one personal day and an unspecified number of sick days per year. Unused balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

NOTE 6: CONTINGENCIES

State Funding - The continuation of Lagniappe is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of

Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, 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 contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

As of June 30, 2014, Lagniappe was not a defendant or co-defendant in any lawsuits arising from the normal course of operations.

Lagniappe Academies of New Orleans Notes to Combined Financial Statements

NOTE 7: NOTES PAYABLE

Lagniappe signed a note payable (Loan 1) for the construction of its modular school buildings for \$1,350,000 to NCB Capital Impact dated March 16, 2011, payable in monthly installments of \$20,047, including an interest rate of 6.5%, maturing on March 16, 2018. Lagniappe entered into a second note payable (Loan 2) for the construction of an additional modular school building for \$450,000, dated August 12, 2011, payable in monthly installments of \$6,878, including an interest rate of 6.5%, maturing on August 12, 2018.

| | | |
|------------------------------|----|------------------|
| Balance as of June 30, 2014: | | |
| Loan 1 | \$ | 822,286 |
| Loan 2 | | 318,395 |
| Less current portion | | <u>(256,504)</u> |
| Long-term portion | \$ | <u>884,177</u> |

The above-described notes payable are collateralized by the modular buildings in which the school operates.

The scheduled maturities of long term debt are as follows:

| | | |
|------|----|------------------|
| 2015 | \$ | 256,504 |
| 2016 | | 273,684 |
| 2017 | | 292,010 |
| 2018 | | <u>318,483</u> |
| | \$ | <u>1,140,681</u> |

Interest expense related to notes payable totaled \$82,992 and \$97,783 for the years ended June 30, 2014 and 2013, respectively.

NOTE 8: LEASE AGREEMENT

Lagniappe leases the land on which its school buildings are built. The current lease was signed on January 12, 2011. For the 2013-2014 school year, lease payments were quarterly payments of \$13,217. Lagniappe exercised its option to renew the lease for an additional year ending July 31, 2015, with quarterly lease payments of \$13,217.

Rent expense for the years ended June 30, 2014 and 2013 was \$52,869 and \$50,835, respectively.

Lagniappe Academies of New Orleans
Notes to Combined Financial Statements

NOTE 9: CONCENTRATIONS

For the year ended June 30, 2014 and 2013, Lagniappe received approximately 14% and 12%, respectively, of its total revenue from federal sources, approximately 24% and 20%, respectively, from State public school funds, 41% and 28%, respectively, from Local sources, and 21% and 40%, respectively, from private contributions.

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

| | <u>2014</u> | <u>2013</u> |
|--------------------|-------------|-----------------|
| Student activities | \$ - | \$ 2,093 |
| Total | <u>\$ -</u> | <u>\$ 2,093</u> |

Lagniappe Academies of New Orleans
Combining Statement of Financial Position

| <i>As of June 30, 2014</i> | LANO | LPNO | Eliminations | Total |
|---|---------------------|-----------------|-------------------|---------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 76,311 | \$ 1,805 | \$ - | \$ 78,116 |
| Other receivables | 24,231 | - | (2,063) | 22,168 |
| Total Current Assets | 100,542 | 1,805 | (2,063) | 100,284 |
| Property and equipment, net | 1,686,417 | - | - | 1,686,417 |
| Total Assets | \$ 1,786,959 | \$ 1,805 | \$ (2,063) | \$ 1,786,701 |
| Liabilities and net assets | | | | |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 76,824 | 2,063 | (2,063) | 76,824 |
| Notes payable, current | 256,504 | - | - | 256,504 |
| Total Current Liabilities | 333,328 | 2,063 | (2,063) | 333,328 |
| Notes payable, noncurrent | 884,177 | - | - | 884,177 |
| Total Liabilities | 1,217,505 | 2,063 | (2,063) | 1,217,505 |
| Unrestricted | 569,454 | (258) | - | 569,196 |
| Temporarily restricted | - | - | - | - |
| Total Net Assets | 569,454 | (258) | - | 569,196 |
| Total Liabilities and Net Assets | \$ 1,786,959 | \$ 1,805 | \$ (2,063) | \$ 1,786,701 |

The accompanying footnotes are an integral part of these combined financial statements.

**Lagniappe Academies of New Orleans
Combining Statement of Activities**

For the year ended June 30, 2014

| | LANO | | | LPNO | Eliminations | Total |
|---|-------------------|---------------------------|-------------------|-----------------|------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | | |
| Public Support Revenues and Other Support | | | | | | |
| Donations and contributions | \$ 514,163 | \$ - | \$ 514,163 | \$ 596,000 | \$ (513,137) | \$ 597,026 |
| Federal sources | 350,607 | - | 350,607 | - | - | 350,607 |
| Local per pupil aid | 1,019,771 | - | 1,019,771 | - | - | 1,019,771 |
| State public school funds | 580,067 | - | 580,067 | - | - | 580,067 |
| Interest Income | - | - | - | - | - | - |
| Total Public Support and Other Revenues | 2,464,608 | - | 2,464,608 | 596,000 | (513,137) | 2,547,471 |
| Net Assets Released from Restrictions | | | | | | |
| Restrictions satisfied by payments | 2,093 | (2,093) | - | - | - | - |
| Total Support, Revenues and Reclassifications | 2,466,701 | (2,093) | 2,464,608 | 596,000 | (513,137) | 2,547,471 |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Instructional | 1,052,434 | - | 1,052,434 | 511,700 | (511,700) | 1,052,434 |
| Supporting services: | | | | | | |
| Management and general | 1,318,961 | - | 1,318,961 | 112,684 | - | 1,431,645 |
| Total Expenses | 2,371,395 | - | 2,371,395 | 624,384 | (511,700) | 2,484,079 |
| Increase (Decrease) in Unrestricted Net Assets | 95,306 | (2,093) | 93,213 | (28,384) | (1,437) | 63,392 |
| Net assets at beginning of fiscal year | 474,148 | 2,093 | 476,241 | 28,126 | 1,437 | 505,804 |
| Net assets at end of fiscal year | \$ 569,454 | \$ - | \$ 569,454 | \$ (258) | \$ - | \$ 569,196 |

The accompanying footnotes are an integral part of these combined financial statements.

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Lagniappe Academies of New Orleans
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 Lagniappe Academies of New Orleans (a nonprofit organization) (“Lagniappe”) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management’s assertions about the performance and statistical data accompanying the annual combined financial statements of Lagniappe 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. Lagniappe is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

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

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

Education Level of Public School Staff (Schedule K-2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1, 2013.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2013 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule K-3)

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

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2013 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined that the individual's experience was properly classified on the schedule.

Public School Data: Average Salaries (Schedule K-5)

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 random sample of teachers to the individual's personnel file and determined that the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule K-6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule K-3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2013 roll books for those classes and determined that the class was properly classified on the schedule.

Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule K-9)

10. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by Lagniappe. During the 2013 – 2014 school year, Lagniappe enrolled Pre-K through second, fifth and sixth grades. Therefore, schedules K-7 and K-8 are not applicable.

We noted the following exceptions as a result of applying the above procedures:

Education Level of Public School Staff (Schedule K-2); Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule K-4); Public School Data: Average Salaries (Schedule K-5)

Finding:

We noted two (2) instances where an administrative assistant was report as a Principal on the October 2013 and June 3014 PEP report. The employees were included in the object code 111 but should have been included in the object code 114. We noted one (1) instance where the principal for the school was incorrectly coded to 2400 but should have been coded to 2410.

Corrective Action Plan:

Code 2400 is for School Administration, which we thought would be acceptable to classify the school principal. This is has been corrected. Code 2410 is for Office of the Principal, which we thought would be acceptable for coding the administrative assistants. We have since corrected the error. The Business Manager has received additional training on completion of the PEP and will be more diligent in ensuring this does not happen again. The Chief Operations Officer will review the PEP report more diligently before final submittal.

Education Level of Public School Staff (Schedule K-2)

Finding:

We noted one (1) instance where an employee’s level of education was incorrectly reported as bachelor’s degree on the October 1, 2013 PEP report.

Corrective Action Plan:

The employee was in the process of completing her bachelor’s degree. However, we made an error and said that she completed the degree. This error will not occur again.

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

Finding:

We noted two (2) instances where the employee’s experience level was incorrect per the October 1, 2013 PEP report.

Corrective Action Plan:

This error was corrected and will not occur again.

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 information and use of management of Lagniappe Academies of New Orleans, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be 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.

Carr, Riggs & Ingram, LLC

November 13, 2014

Lagniappe Academies of New Orleans
K1: General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2014

General Fund Instructional and Equipment Expenditures

| | | |
|--|------------|--------------|
| Teacher and Student Interaction Activities | | |
| Classroom Teacher Salaries | \$ 437,649 | |
| Other Instructional Staff Activities | - | |
| Instructional Staff Employee Benefits | 145,838 | |
| Purchased Professional and Technical Services | 111,029 | |
| Instructional Materials and Supplies | 90,084 | |
| Less: Instructional Equipment | - | |
| Total Teacher and Student Interaction Activities | - | \$ 784,600 |
| Other Instructional Activities | | 2,575 |
| Pupil Support Activities | | |
| Less: Equipment for Pupil Support Activities | 149,903 | |
| Net Pupil Support Activities | - | 149,903 |
| Instructional Staff Services | | |
| Less: Equipment for Instructional Staff Services | 22,521 | |
| Net Instructional Staff Services | - | 22,521 |
| School Administration | | |
| Less: Equipment for School Administration | 408,759 | |
| Net School Administration | - | 408,759 |
| Total General Fund Expenditures | | \$ 1,368,358 |
| Total General Fund Equipment Expenditures | | \$ - |

Certain Local Revenue Sources:

This section is not applicable

Note: Lagniappe receives local revenues from the Orleans Parish School Board which is passed through the Recovery School District. Lagniappe does not receive a detailed schedule of the source of these revenues. This section is not applicable to charter schools under the Recovery School District.

Lagniappe Academies of New Orleans
K-2: Education Levels of Public School Staff
As of October 1, 2013

| Category | Full-time Classroom Teachers | | | | Principals and Assistant Principals | | | |
|-------------------------------|------------------------------|-------------|----------------|-------------|-------------------------------------|-------------|----------------|-------------|
| | Certificated | | Uncertificated | | Certificated | | Uncertificated | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than a Bachelor's Degree | - | 0% | - | 0.0% | - | 0.0% | - | 0% |
| Bachelor's Degree | 6 | 100% | 2 | 50.0% | - | 0.0% | - | 0% |
| Master's Degree | - | 0% | 2 | 50.0% | - | 0.0% | - | 0% |
| Master's Degree +30 | - | 0% | - | 0.0% | - | 0.0% | - | 0% |
| Specialist in Education | - | 0% | - | 0.0% | - | 0.0% | - | 0% |
| Ph. D. or Ed. D. | - | 0% | - | 0.0% | - | 0.0% | 1 | 100% |
| Total | 6 | 100% | 4 | 100% | - | 0.0% | 1 | 100% |

Lagniappe Academies of New Orleans
K-3: Number and Type of Public Schools
For the Year Ended June 30, 2014

| Type | 2014 |
|-----------------|---------------|
| | Number |
| Elementary | 1 |
| Middle/Jr. High | - |
| Secondary | - |
| Combination | - |
| Total | 1 |

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

Lagnianppe Academies of New Orleans
K-4: Experience of Public Principals, Assistant Principals,
And Full-Time Classroom Teachers
As of October 1, 2013

| | 0-1 Yr. | 2-3 Yrs. | 4-10 Yrs. | 11-14 Yrs. | 15-19 Yrs. | 20-24 Yrs. | 25+ Yrs. | Total |
|----------------------|---------|----------|-----------|------------|------------|------------|----------|-------|
| Assistant Principals | - | - | - | - | - | - | - | - |
| Classroom Teachers | 2 | 2 | 5 | 1 | - | - | - | 10 |
| Principals | - | - | - | 1 | - | - | - | 1 |
| Total | 2 | 2 | 5 | 2 | - | - | - | 11 |

**Lagniappe Academies of New Orleans
K-5: Public School Staff Data: Average Salaries
For the Year Ended June 30, 2014**

| | All Classroom Teachers | Classroom Teachers Excluding ROTC And Rehired Retirees |
|---|---------------------------|--|
| Average Classroom Teachers' Salary Including Extra Compensation | \$48,762 | \$48,762 |
| Average Classroom Teacher's Salary Excluding Extra Compensation | \$48,762 | \$48,762 |
| Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries | 11.51 | 11.51 |

Note: Figures reported include all sources of funding (i.e. federal, state and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

Lagniappe Academies of New Orleans
K-6: Class Size Characteristics
As of October 1, 2013

| School Type | Class Size Range | | | | | | | |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 93% | 43 | 7% | 3 | - | - | - | - |
| Elementary Activity Classes | 100% | 8 | 0% | - | - | - | - | - |
| Middle/Jr. High | - | - | - | - | - | - | - | - |
| Middle/Jr. High Activity Classes | - | - | - | - | - | - | - | - |
| High | - | - | - | - | - | - | - | - |
| High Activity Classes | - | - | - | - | - | - | - | - |
| Combination | - | - | - | - | - | - | - | - |
| Combination Activity Classes | - | - | - | - | - | - | - | - |

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in 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.

Lagniappe Academies of New Orleans
K-7: Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2014

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|---------------------------------------|---------|---------|-------------|---------|---------|---------|----------------|---------|
| | 2014 | | 2014 | | 2014 | | 2014 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 4 | | | | | | | | |
| Advanced | - | - | - | - | - | - | - | - |
| Mastery | - | - | - | - | - | - | - | - |
| Basic | - | - | - | - | - | - | - | - |
| Approaching Basic | - | - | - | - | - | - | - | - |
| Unsatisfactory | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|---------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2014 | | 2014 | | 2014 | | 2014 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 8 | | | | | | | | |
| Advanced | 1 | 8% | - | 0% | - | 0% | - | 0% |
| Mastery | 5 | 38% | 2 | 15% | 1 | 8% | 4 | 31% |
| Basic | 7 | 54% | 11 | 85% | 11 | 84% | 9 | 69% |
| Approaching Basic | - | 0% | - | 0% | 1 | 8% | - | 0% |
| Unsatisfactory | - | 0% | - | 0% | - | 0% | - | 0% |
| Total | 13 | 100% | 13 | 100% | 13 | 100% | 13 | 100% |

Lagniappe Academies of New Orleans

K-9: iLEAP Tests

For the Years Ended June 30, 2014, 2013 and 2012

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2012 | | 2012 | | 2012 | | 2012 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 5 | | | | | | | | |
| Advanced | - | - | - | - | - | - | - | - |
| Mastery | 1 | 7% | - | - | 1 | 7% | - | - |
| Basic | 4 | 29% | 3 | 21% | 3 | 21% | 5 | 36% |
| Approaching Basic | 3 | 21% | 3 | 21% | 6 | 43% | 1 | 7% |
| Unsatisfactory | 6 | 43% | 8 | 58% | 4 | 29% | 8 | 57% |
| Total | 14 | 100% | 14 | 100% | 14 | 100% | 14 | 100% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2012 | | 2012 | | 2012 | | 2012 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 6 | | | | | | | | |
| Advanced | - | - | - | - | - | - | - | - |
| Mastery | 2 | 6% | 3 | 9% | - | - | - | - |
| Basic | 18 | 56% | 18 | 56% | 12 | 38% | 8 | 25% |
| Approaching Basic | 5 | 16% | 4 | 13% | 15 | 47% | 16 | 50% |
| Unsatisfactory | 7 | 22% | 7 | 22% | 5 | 16% | 8 | 25% |
| Total | 32 | 100% | 32 | 100% | 32 | 100% | 32 | 100% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2013 | | 2013 | | 2013 | | 2013 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 6 | | | | | | | | |
| Advanced | - | - | - | - | - | - | 1 | 7% |
| Mastery | 2 | 14% | 1 | 7% | 5 | 35% | 1 | 7% |
| Basic | 8 | 57% | 9 | 65% | 4 | 29% | 7 | 50% |
| Approaching Basic | 4 | 29% | 3 | 21% | 4 | 29% | 4 | 29% |
| Unsatisfactory | - | - | 1 | 7% | 1 | 7% | 1 | 7% |
| Total | 14 | 100% | 14 | 100% | 14 | 100% | 14 | 100% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2013 | | 2013 | | 2013 | | 2013 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 7 | | | | | | | | |
| Advanced | - | - | - | - | - | - | 1 | 4% |
| Mastery | 4 | 15% | 5 | 19% | 4 | 15% | 8 | 30% |
| Basic | 17 | 66% | 17 | 65% | 12 | 47% | 13 | 50% |
| Approaching Basic | 5 | 19% | 2 | 8% | 10 | 38% | 3 | 12% |
| Unsatisfactory | - | - | 2 | 8% | - | - | 1 | 4% |
| Total | 26 | 100% | 26 | 100% | 26 | 100% | 26 | 100% |

Lagniappe Academies of New Orleans

K-9: iLEAP Tests

For the Years Ended June 30, 2014, 2013 and 2012 (Continued)

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2014 | | 2014 | | 2014 | | 2014 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | - | 0% | 2 | 6% | - | 0% | - | 0% |
| Mastery | 8 | 24% | 9 | 27% | 2 | 6% | 1 | 3% |
| Basic | 11 | 34% | 14 | 43% | 18 | 55% | 18 | 55% |
| Approaching Basic | 9 | 27% | 5 | 15% | 11 | 33% | 11 | 33% |
| Unsatisfactory | 5 | 15% | 3 | 9% | 2 | 6% | 3 | 9% |
| Total | 33 | 100% | 33 | 100% | 33 | 100% | 33 | 100% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|----------|-------------|-------------|-------------|----------|-------------|----------------|-------------|
| | 2014 | | 2014 | | 2014 | | 2014 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 7 | | | | | | | | |
| Advanced | - | 0% | - | 0% | - | 0% | - | 0% |
| Mastery | - | 0% | 3 | 60% | 2 | 40% | 4 | 80% |
| Basic | 5 | 100% | 2 | 40% | 2 | 40% | 1 | 20% |
| Approaching Basic | - | 0% | - | 0% | 1 | 20% | - | 0% |
| Unsatisfactory | - | 0% | - | 0% | - | 0% | - | 0% |
| Total | 5 | 100% | 5 | 100% | 5 | 100% | 5 | 100% |

INDEPENDENT AUDITOR’S 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*

Board of Directors
Lagniappe Academies of New Orleans
New Orleans, LA

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 combined financial statements of Lagniappe Academies of New Orleans (a nonprofit organization) (“Lagniappe”), which comprise the Combined Statement of Financial Position as of June 30, 2014, and the related Combined Statement of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Lagniappe’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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lagniappe’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lagniappe’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 Lagniappe’s combined 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in

internal control, described in the accompanying Schedule of Findings that we consider to be a significant deficiency. (2014-001 and 2014-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lagniappe's combined 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 combined 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*.

Lagniappe's Response to Findings

Lagniappe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lagniappe's response was not subjected to the auditing procedures applied in the audit of the combined 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 Lagniappe's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lagniappe's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, LLC

November 13, 2014

**Lagniappe Academies of New Orleans
Schedule of Findings and Responses
For the Year Ended June 30, 2014**

2014-001: Accurate Financial Reporting and Record Keeping

This is a carried forward from prior year with slight modifications to reflect the current year finding.

Condition:

Lagniappe's current internal control structure or operation does not allow management or staff in the normal course of performing their assigned functions to prevent, or detect and correct misstatements in a timely manner. During the course of the audit for the year ended June 30, 2014, we proposed significant audit adjustments primarily related to the accrual of liabilities, depreciation expense, cash, and net assets.

Criteria:

Management of Lagniappe is responsible for establishing and maintaining effective internal controls over financial reporting.

Cause:

The limited size of the accounting department within Lagniappe and the lack of adherence to the internal financial policies and procedures.

Effect:

Potential misstatement in the combined financial statements prepared for both internal and external reporting purposes.

Management's Corrective Action Plan:

We looked to improve upon our current accounting reporting systems by moving to an online-based Quickbooks program. The online version was an upgraded system that would allow us to be more current and compliant. In doing so, depreciation and equity did not properly transfer over to the new Quickbooks version. Also in this current audit, it was suggested that payroll should be on an accrual basis, which is different than how we done it in years past.

The Business Manager, who has an MBA from Tulane University, is working diligently in adhering to all internal controls and reporting guidelines. This is her second year working within a school environment and we are certain that she has the skills to do well. She is currently enrolled in a Finance Training Program with Ops360, along with other school Business Managers, which will increase her knowledge and skill-set in this area. Moving forward, we will ensure that our internal controls are in compliance.

**Lagniappe Academies of New Orleans
Schedule of Findings and Responses
For the Year Ended June 30, 2014**

2014-002: Documentation of Expenses

Condition:

Lagniappe could not supply supporting documentation for several transactions selected for testing that occurred for the year ended June 30, 2014.

Criteria:

Management should maintain supporting documentation for transactions in accordance with their retention policy. All purchase should obtain a purchase order and pre-approval. All food or restaurant purchases should be supported with a receipt and documentation of attendance and purpose.

Cause:

The management of Lagniappe was not adhering to the internal financial policies and procedures.

Effect:

Potential for fraudulent transactions increases due to the lack of controls surrounding purchases.

Management's Corrective Action Plan:

Any staff authorized to the use the school's credit card is required to fill out a requisition form and seek an approval prior to doing so. There were a total of six transactions over the course of the year that we were not able to locate the receipt, but we have supporting documentation as to the purpose of the purchase.

In March 2014, we created an additional measure to ensure compliance when using the School's credit card. We now have a sign-in/sign-out sheet for the credit card that details the date, time, person signing the card out, and purpose of the purchase. Upon return, the credit card is returned and the receipt is given to the Business Manager. This additional measure will ensure that we have receipts and proper documentation.



**Lagniappe Academies of New Orleans
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014**

Section I- Findings Related to the Financial Statements

2013-1: Timely and Accurate Financial Reporting and Record Keeping- Unresolved (2014-001)