

June 19, 2013

Charlotte Stevens  
Director of Education Finance  
Louisiana Department of Education

Dear Charlotte:

In relation to our engagement (contract CMFS #718527) to perform agreed-upon procedures for the Scholarship for Educational Excellence Program (the Program) you requested that we provide you with our determination of whether New Living Word School has complied with Program regulations with respect to tuition and fees charged to the Program. Although this letter addresses the same subject matter subjected to our agreed-upon procedures, this letter goes beyond the reporting requirements of the agreed-upon procedures as stated in the contract in applying program regulations to facts and circumstances identified during the performance of the agreed-upon procedures. This letter does not constitute a legal opinion of compliance.

The Louisiana Register contains excerpts of the legislation/regulations governing the Program that state:

*“Tuition and Fees – Tuition and fees received through the scholarship program for participating students shall not exceed tuition and fees charged to enrolled students not participating in the program. Tuition and fees shall be defined as the total payment charged to enrolled students not participating in the scholarship program, and paid on behalf of those students. Scholarship funds may not be used to pay tuition and fees for students not participating in the scholarship program.”*

During the performance of our agreed-upon procedures we determined that tuition charged and paid by the state on behalf of the scholarship program students attending New Living Word School exceeded the amounts charged and paid by non-scholarship students. Postlethwaite & Netterville made this determination from profit and loss (P&L) statements and enrollment data provided by New Living Word School management. See the attached comparison, based upon the P&L statements, of student tuition charged and paid for scholarship students to that of non-scholarship students.

It has been asserted by the School that much of the non-scholarship students' tuition is paid, not in cash payments to the school, but by way of in-kind goods and services provided and paid for by New Living Word Ministries (the Church), an organization with common management. However, we see no provision within the program regulations allowing for in-kind services or contributions in determining whether the scholarship tuition charged to the state equals or exceeds tuition charged to non-scholarship students. Based upon our interpretations, the School is non-compliant with Program regulations.

We would also like to communicate certain observations we made regarding the in-kind goods and services as represented to us by School management. These observations are the result of limited procedures performed on the in-kind goods and services. The scope of our procedures does not constitute an audit of the information management provided regarding in-kind goods and services and therefore we do not express an opinion on the overall adequacy or inadequacy of that information. Had we conducted an audit, other matters may have come to our attention.

New Living Word management identifies the in-kind goods and services within two categories: staff salaries and facilities costs. The profit and loss statement of New Living Word School for the nine-month period ended March 31, 2013, indicated that these costs totaled \$288,800 and \$350,880, respectively. In viewing support for selected costs among these categories, we noted the following:

- In-kind staff salary amounts include \$8,000 per month for Jerry Baldwin as school principal and head basketball coach, and \$2,140 per month for Juliet Baldwin as an administrative assistant. Jerry Baldwin serves as New Living Word Ministries' Pastor. In addition to the contributed in-kind salary, the School's payroll records reflect Jerry Baldwin was actually paid a salary of \$4,166 for the period August through December 2012.
- Staff salary amounts include \$16,000 per month identified as a "cut in salary" for 16 teachers in the amount of \$1,000 per month. Taken at face value, this would indicate that these salary amounts were not actually paid by the Church but represent lesser salaries that these individuals could have received at other employment. Such values would be highly subjective and questionable given a market driven workforce.
- Contributed facilities costs, which are apportioned between scholarship and non-scholarship students, include, among other items, \$4,000 per month for maintenance costs. As support for the maintenance costs, we observed a contract between New Living Word Ministries and The Restoration Program, Inc. According to the Secretary of State's records, Jerry Baldwin is the registered agent for The Restoration Program, Inc. We also requested support for monthly payments made under the contract and were provided with a copy of a check drawn on a New Living Word Ministries checking account made payable to "NLW Restoration Acct" in the amount of \$4,000. This component of the facilities costs represents a related party transaction.
- Contributed facilities costs include \$56,860 per month for contributed rent for 34,460 square feet at a rate of \$16.50 per square foot. Upon request for support for this rate, the School provided a link to [www.loopnet.com](http://www.loopnet.com). We searched the site and found this rate being advertised for office space within an "upscale development".
- Contributed facilities costs include \$3,500 per month for utilities. The documented support for such monthly costs provided by the school included a cable television\internet service invoice that included \$126.93 for entertainment service bundle that includes Digital HBO and Digital Showtime, and a check made payable to an individual with no supporting invoices. The entertainment services bundle may not represent an educational type cost.
- The School's management provided a list of students for whom in-kind contributions were made that included 33 pre-kindergarten students. Pre-kindergarten students are not eligible for participation on the Scholarship Program and therefore in-kind contributions for such non-scholarship students should not be included as in-kind contributions.

In summary, it is our interpretation that the regulations do not allow for in-kind contributions in determining whether the tuition charged to the Scholarship Program is less than or equal the tuition charged to non-scholarship program students. If it is determined that in-kind contributions are allowable, then we recommend that the contributions be audited to provide assurance to the Department of Education that these related party transactions are properly valued and were paid for educational purposes.

Sincerely,

*Postlethwaite + Netterville*

POSTLETHWAITE & NETTERVILLE



New Living Word School  
Comparison of Tuition Revenue

Attachment to letter

	<u>July 2012 - March 2013</u>	
	Unclassified	
	<u>Scholarship</u>	<u>(Non-Scholarship)</u>
Tuition Revenue per financial statements	447,300	60,513
Number of students	<u>93</u>	<u>109</u>
Per student tuition revenue (rounded)	4,800	550
Differential per student		4,250
Number of scholarship students		<u>93</u>
Total difference		<u><u>395,250</u></u>