

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**Audit of Financial Statements**

**June 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-10-04





ROBERT W. HIENZ, C.P.A.  
ANTHONY J. MACALUSO, JR., C.P.A.

DAVID V. ERNST

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### MEMBERS

American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Milestone Academy of Learning Experiences and Skills, Inc.**

We have audited the accompanying statement of financial position of Milestone Academy of Learning Experiences and Skills, Inc. (a non-profit corporation) as of June 30, 2003 and the related statements of activities for the year then ended. These financial statements are the responsibility of the management of Milestone Academy of Learning Experiences and Skills, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the financial statements, Milestone Academy of Learning Experiences and Skills, Inc. has not implemented the financial reporting requirements of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, Milestone Academy of Learning Experiences and Skills, Inc. has not classified the difference between its assets and liabilities as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions. In

addition, Milestone Academy of Learning Experiences and Skills, Inc. has not reported changes in each of those classes of net assets in the statement of activities. Presentation of such information is required by accounting principles generally accepted in the United States of America. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

As more fully described in note 2 to the financial statements, Milestone Academy of Learning Experiences and Skills did not present a statement of cash flows as required in order to conform to accounting principles generally accepted in the United States of America. The effects on the overall financial statements of that departure are not reasonably determinable.

In our opinion, because of the matters discussed in the preceding paragraphs, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Milestone Academy of Learning Experiences and Skills, Inc. as of June 30, 2003, and changes in its net assets and its cash flows for the year then ended.

The accompanying financial statements have been prepared assuming that Milestone Academy of Learning Experiences and Skills, Inc. will continue as a going concern. As discussed in notes 8, 9, 11, 12 and 13 to the financial statements, Milestone Academy of Learning Experiences and Skills, Inc. is no longer operating as a charter school or receiving federal and state funding for operation as a charter school, is delinquent in filing form 990 with the Internal Revenue Service and is delinquent in remitting a significant amount of federal payroll tax liabilities to the Internal Revenue Service. All of these instances raise substantial doubt about Milestone Academy of Learning Experiences and Skills, Inc.'s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2004 on our consideration of Milestone Academy of Learning Experiences and Skills, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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. Also, that report contained instances of noncompliance.

*Hienz & Macaluso, LLC*

**HIENZ & MACALUSO, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Metairie, LA  
September 9, 2004

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2003

**ASSETS**

Current Assets	
Cash	\$ 57,367
Accounts receivable, net of allowance	-
Total current assets	57,367
Property, Plant and Equipment	
Furniture and equipment	95,562
Less accumulated depreciation	(54,603)
Net property, plant and equipment	40,959
Other Assets	
Deposits	1,213
Total other assets	1,213
Total assets	\$ 99,539

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 3,329
Payroll taxes payable	96,630
Notes payable	17,537
Total liabilities	117,496
Net assets	(17,957)
Total liabilities and net assets	\$ 99,539

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

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

<u>REVENUES</u>	
State public school funding	\$ 538,565
Federal Sources	37,066
Local sources	8,176
Other income	3,908
Total revenues	<u>587,715</u>
<u>EXPENSES</u>	
Instruction:	
Regular	273,206
Special	46,110
Other	53,273
Support Services:	
Pupil	4,326
Staff services	39,257
School administration	77,998
Business services	39,627
Operation and maintenance	68,229
Central services	15,195
Food services	5,339
Total expenses	<u>622,560</u>
Change in net assets	(34,845)
Net assets, beginning of year	<u>6,925</u>
Prior period adjustment	9,963
Net assets, beginning of year as restated	<u>16,888</u>
Net assets, end of year	<u>\$ (17,957)</u>

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

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

NOTE 1 – Nature of Operation

In 1998, Milestone Academy of Learning Experiences and Skills, Inc. (Milestone) was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE), authorized by LA Charter School Demonstration Project, to operate an independent public school. The primary mission of Milestone Academy of Learning Experiences and Skills, Inc. is to provide a rigorous learning environment for grades 9-12. During 2001 the school operated with only a tenth grade class, in 2002 only an eleventh grade class and in 2003 only a twelfth grade class. The School serves economically and ethnically diverse students, offering significant personal attention and support, a rigorous curriculum, and ample educational technology, and expectations for the future. The charter is valid for an initial period of five years commencing on June 1, 1999 and ending June 30, 2004, subject to renewal after the five year period.

NOTE 2 – Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of Milestone Academy of Learning Experiences and Skills, Inc. do not conform to generally accepted governmental accounting principles as applicable to nonprofit organizations (Note 2) as established under Revised Louisiana Charter School Law.

Financial Statement Presentation

The financial statements are presented in accordance Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", but not in accordance with SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires Milestone Academy of Learning Experiences and Skills, Inc. to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under SFAS No. 117, Milestone Academy of Learning Experiences and Skills, Inc. is required to report information regarding its financial position and activities according to three classes of net assets:

- ❖ Unrestricted Net Assets
- ❖ Temporarily Restricted Net Assets
- ❖ Permanently Restricted Net Assets

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

In addition, Milestone Academy of Learning Experiences and Skills, Inc. is required to present a statement of cash flows. At June 30, 2003, Milestone Academy of Learning Experiences and Skills, Inc. has neither temporarily nor permanent restricted net assets.

Fair Value of Financial Instructions

The estimated fair value of all significant financial statement amounts have been determined by Milestone Academy of Learning Experiences and Skills, Inc. using available market information and appropriate valuation methodologies.

Milestone Academy of Learning Experiences and Skills, Inc. considers the carrying amount of cash, to approximate fair value.

Promises to Give

Contributions are recognized when the donor makes a promise to give to Milestone Academy of Learning Experiences and Skills, Inc., that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Milestone Academy of Learning Experiences and Skills, Inc. uses the allowance method to determine the collectibility of unconditional promises to give. For the year ended June 30, 2003, the allowance is based on management's analysis of specific promises made.

Minimum Foundation Program

Milestone Academy of Learning Experiences and Skills, Inc. receives funding from BESE in an amount for pupils based on estimated daily attendance in the School. The amount of funding received is adjusted during the school year based on the October 1, student count and the results of any audits performed.



**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

Other Funding

Other revenues received by Milestone Academy of Learning Experiences and Skills, Inc. consists of private and public grants, and enrichment fees.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and change in fund net assets. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of revenues, expenses, and change in fund net assets.

Statement of Cash Flows

For purposes of the statement of cash flows, Milestone Academy of Learning Experiences and Skills, Inc. considers all investments with original maturities of three months or less to be cash equivalents. At June 30, 2003, Milestone Academy of Learning Experiences and Skills, Inc. had no cash equivalents.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Milestone Academy of Learning Experiences and Skills, Inc. operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Milestone Academy of Learning Experiences and Skills, Inc. exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

Equipment

Property and equipment include furniture and equipment costing \$300 or more, and have a useful life greater than one year. Depreciation is computed using the straight-line method over the asset's estimated life. Depreciation expense for the year ended June 30, 2003 was \$ 19,097.

NOTE 3 – Cash

At June 30, 2003, Milestone Academy of Learning Experiences and Skills, Inc.'s cash balance consists of the following:

Demand deposits	\$57,367
Time deposits	
Total	<u>\$57,367</u>

NOTE 4 – Related Party Transaction

Milestone Academy of Learning Experiences and Skills, Inc. borrowed \$10,000 from a teacher of Milestone on July 13, 2001. The note was to be repaid starting October 27, 2001 until paid in full. The note did not have an interest rate, nor were there any repayment terms. The money was repaid during the year ended June 30, 2003

NOTE 5 – Risk Management

Milestone Academy of Learning Experiences and Skills, Inc. is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which Milestone Academy of Learning Experiences and Skills, Inc. carries commercial insurance, covering the School's operation only. During the year ended June 30, 2003, the Board of Directors was not covered with officers' and directors' insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. There was no amount recorded in the financial statements for a potential loss.

NOTE 6 – Concentration of Credit Risk

Milestone Academy of Learning Experiences and Skills, Inc. maintains cash balances at a local bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

Milestone Academy of Learning Experiences and Skills, Inc. receives primarily all of its revenues from BESE. See NOTES 2 and NOTES 7-9 for additional discussion.

**NOTE 7 – Contingencies and Commitments**

Milestone Academy of Learning Experiences and Skills, Inc. is a recipient of funding from BESE through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of Milestone Academy of Learning Experiences and Skills, Inc. and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

**NOTE 8 – Subsequent Events**

Milestone did not receive funding in fiscal year 2004 and is no longer operating as a charter school.

**NOTE 9 – Going Concern**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplates continuation if Milestone Academy of Learning Experiences and Skills, Inc. as a going concern.

Milestone Academy of Learning Experiences and Skills, Inc. was incorporated with the expressed intent to operate a charter school. In the subsequent fiscal year, Milestone Academy of Learning Experiences and Skills, Inc.'s Board lost its charter to operate a charter school and related funding for same (see note 8).

Milestone also has been delinquent in paying payroll tax liabilities and filing federal form 990 (see notes 11 and 12). The failure to pay tax liabilities and file form 990 jeopardizes Milestone's status as a tax exempt organization (see note 13).

**NOTE 10 – Prior Period Adjustment**

During the audit of the fiscal year ended June 30, 2003 it was discovered that bond instruments and related debt that were purchased in a prior year

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

were not included in the statement of net assets. Also, income received in July 2003 should have been recorded in the year ended June 30, 2002. The effect of the adjustment to the year ended June 30, 2002 was to increase assets in the amount of \$28,197, increase liabilities in the amount of \$18,234, and increase revenues in the amount of \$9,963 as summarized below:

Band Instruments	\$36,224
Accumulated depreciation	(17,990)
Accounts receivable	9,963
Note payable -- instruments	<u>(18,234)</u>
Net increase to Net assets	<u>9,963</u>

NOTE 11: Payroll Tax Liabilities

Milestone has been delinquent in paying its federal payroll tax liabilities for the year ended June 30, 2003, and also in prior years. Milestone owes the Internal Revenue Service \$96,630 for the year ended June 30, 2003 which includes current year and prior years federal payroll tax liabilities. See Note 13.

NOTE 12: Federal Form 990 "Return of Organization Exempt from Income Tax"

Milestone has not filed its federal tax form 990 - Return of Organization Exempt from Income Tax - for the year ended June 30, 2003, as well as returns for prior years. See Note 13.

NOTE 13: Status as an Exempt Organization

As discussed in notes 9, 11 and 12 Milestone has been delinquent in filing form 990 and paying federal payroll tax liabilities. These factors could cause Milestone to lose its tax exempt status with the Internal Revenue Service.

NOTE 14: Notes Payable

During October of 1999 Milestone purchased musical instruments and supplies from Taylor Music in the amount of \$ 36,224. Milestone entered into a financing arrangement with Taylor Music for the total purchase price of \$ 36,224. We were unable to confirm the re-payment terms, however the arrangement was non-interest bearing. Milestone paid \$ 7,244 in principal payments during 2003 and had a remaining balance at June 30, 2003 in the amount of \$ 1,812, which was due in its entirety during the fiscal year ended June 30, 2004.

On February 1, 2002 Milestone borrowed \$ 53,360 from the Louisiana Local Government Environmental Facilities and Community Development

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

Authority Qualified Zone Academy Bond Program, Series 2001 Loan Program. This "line-of-credit" arrangement had a maturity date of November 1, 2015 and was non-interest bearing. The outstanding balance on this line as of June 30, 2003 was \$ 15,725. During the fiscal year ended June 30, 2004 the line was accelerated and became due immediately.



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MEMBERS

American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants

Independent Auditor's Report  
On Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed In Accordance With  
*Government Auditing Standards*

To the Board of Directors of  
**Milestone Academy of Learning Experiences and Skills, Inc.**

We have audited the financial statements of Milestone Academy of Learning Experiences and Skills, Inc., as of and for the year ended June 30, 2003 and have issued our report thereon dated September 9, 2004. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether Milestone Academy of Learning Experiences and Skills, Inc.'s statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2003-01 through 2003-06.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Milestone Academy of Learning Experiences and Skills, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Milestone Academy of Learning Experiences and Skills, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-01 through 2003-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-01 through 2003-06 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, BESE, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

*Hienz & Macaluso, LLC*

**HIENZ & MACALUSO, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Metairie, LA**  
September 9, 2004

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003

We have audited the financial statements of Milestone Academy of Learning Experiences and Skills, Inc. as of and for the year ended June 30, 2003, and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Louisiana Governmental Auditing Guide. Our audit of the basic financial statements as of June 30, 2003 resulted in an adverse opinion.

**Section I – Summary of Auditor’s Results**

- a. Report on Internal Control and Compliance Material to the Financial Statements  
Internal Control  
Material Weakness  X  Yes \_\_\_ No Reportable Conditions  X  Yes \_\_\_ No  
  
Compliance  
Compliance Material to Financial Statements  X  Yes \_\_\_ No
- b. Federal awards – Not applicable

**Section II – Financial Statement Findings and Questioned Costs**

**Finding #2003-1 Inadequate Accounting Records**  
(This is a repeat finding from June 30, 2002 - #2002-1)

The school’s accounting records are inadequate to perform a timely and complete audit. There is a lack of adequate audit trail to support some transactions and amounts reported in the financial statements. Accounting records were not reconciled to the general ledger. Equipment and loans to Milestone were not recorded in the general ledger. The school also failed to implement SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Louisiana State law requires that the AICPA audit guide, *Audits of Not-for-Profit Organizations* be followed. The guide requires that accounting principles generally accepted in the United States of America be followed in the areas of accounting and reporting. The effect of this is that the validity of management assertions could not be established.

We recommend that the school maintain its account records in accordance with the accounting principles generally accepted in the United States of America.



**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003

**Finding # 2003- 2 Unqualified Accounting Personnel**

(This is a repeat finding from June 30, 2002 - #2002-2)

Milestone's accounting records are maintained by unqualified personnel. The school's principal continues to maintain the financial records. The principal does not have the appropriate background, education, and experience to perform accounting duties. Although she has implemented an accounting software program, the principal does not understand generally accepted accounting principles. Effective internal control requires competent accounting personnel. Louisiana State law requires that the AICPA audit Guide, Audits of Not-For-Profit Organizations be followed. Effective internal control requires competent accounting personnel to perform accounting functions. The guide requires that accounting principles generally accepted in the United States of America be followed in the areas of accounting and reporting. Unqualified accounting personnel performing the accounting functions increases the risk of material misstatements in the financial statements as well as increasing the risk of non-compliance material to the financial statements.

We recommend that the school hire qualified accounting personnel.

**Finding # 2003- 3 Outstanding Payroll Liabilities**

(This is a repeat finding from June 30, 2002 - #2002-3)

Milestone has outstanding liabilities of Federal tax withholding and employer payroll taxes that are delinquent. Management has been unable to pay these monies because of decreased funding provided to the organization. Federal law requires that payroll tax withholding and other taxes be deposited when due. Penalties and interest will be charged on these outstanding amounts. Milestone's exempt status is also in jeopardy due to failure to pay these amounts.

We recommend Milestone pay all payroll tax withholdings when due and institute a method of payment of back taxes for the outstanding liabilities.

**Finding # 2003- 4 Completion of the Louisiana Compliance Questionnaire**

Milestone did not timely complete the Louisiana Compliance Questionnaire, and have the Board of Directors approve the questionnaire prior to the start of the audit. The Louisiana Compliance Questionnaire is a required part of a financial statement of Louisiana governmental entities and quasi-public entities. It is completed and approved by the Board prior to commencement of the audit. Milestone did not complete the questionnaire. It was not completed due to lack of qualified personnel. The effect is a material instance of non-compliance.

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003

We recommend Milestone complete the Louisiana Compliance Questionnaire in a timely manner, and have it approved by the Board prior to the beginning of the audit.

**Finding # 2003- 5 Timely Completion and Filing of Audit**

State law requires the audit to be completed within six months after the close of the fiscal year. The audit was not completed within the six month time frame. Milestone's accounting records were not organized and complete to begin an audit. Also, Milestone closed after the 2002 – 2003 school year. Management did not follow through to have the audit completed by the deadline. The effect is a material instance of non-compliance.

We recommend Milestone prepare their accounting records after the close of the fiscal year to have the audit completed within six months of the close of the fiscal year.

**Finding # 2003- 6 Failure to file Form 990**

Milestone Academy failed to file the Federal Tax form 990 - Return of Organization Exempt from Income Tax – for the year 2003. It was not completed due to lack of qualified personnel. This form is required to be filed with the Internal Revenue Service every year. The effect is a material instance of non-compliance and Milestone's exempt status is also in jeopardy due to failure to file this form.

We recommend that Milestone filed the required information tax returns with the Internal Revenue Service as required.

**Section III – Federal Award Findings and Questioned Costs**

Not applicable

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**Finding #2002-1:** It was recommended that the school maintain its account records in accordance with the accounting principles generally accepted in the United States of America.

Resolution: Unresolved.

**Finding 2002 – 2:** It was recommended that the school hire qualified accounting personnel.

Resolution: Unresolved.

**Finding 2002 – 3:** It was recommended Milestone pay all payroll tax withholdings when due and institute a method of payment of back taxes for the outstanding liabilities.

Resolution: Unresolved.

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.**

**MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2003**

October 26, 2004,

To Whom It May Concern:

The following is our response to the audit findings for the year ended December 31, 2003.

**FINDING 2003-1 AND FINDING 2003-2:**

The school from the date of inception experienced a number of setbacks that impacted adequate accounting records. During the first year of operation the business manager was dismissed due to lack of professed abilities, expertise, and inadequate recordkeeping. In the hope of fulfilling the vacancy the school immediately advertised for the proper personnel but to no avail which continued to lead to a vacancy in year 2000.

Also, Mr. James pointed out in his audit of 2000 that the school should be utilizing accounting software typical of nonprofits. With a recommendation forthcoming from him the school was to purchase new accounting software. That recommendation did not occur. Beginning January 2002, the school converted from Quicken, investing in MYOB. It was after the audit of 2001 that Mr. James indicated that the importing of data from Quicken to MYOB resulted in funds being allocated to wrongful accounts. For example: Since startup equipment was purchased in 1999 and paid in full prior to switching to the new software, considering depreciation, the value of the equipment was simply recorded as an asset. Although, vendor receipts exist with cancelled checks, previous transactions were not imported. Balances due on loans that were incurred in 2000 and 2001 were recorded as a liability and payments applied thereafter.

The fact that the school had to relocate four times during the course of its existence, a decline in student enrollment in 2000-2002, and overstaffing in 2000 lent itself greatly to the school's financial difficulties. During these times the school continued to seek employment of a business manager but was unsuccessful. Mr. James as the auditor of record, stated he would assist the school in setting up accurate accounts for 2002-2003 but failed to follow through.

With the demise of the entity, Finding 1 and 2 will no longer apply.

**FINDING 2003-3:**

With the onset of 2001-2002 school year, the school experienced a decline in enrollment and was told erroneously by TRSL that its teachers who had terminated employment from local and surrounding school parishes, who did not request leave to work at a charter school, and/or had withdrawn their retirement funds, had to participate in the state's teacher retirement program. These teachers were participating in FICA. On being told that effective immediately they were to be made a part of TRSL, retirement had to be paid for which there was no budgeted line item to adequately cover the matching percent.

As previously mentioned, the decline in student enrollment resulted in the overstaffing of teachers for 2000-2001. Due to the school's unique concept of looping, certification requirements of teachers by state law, and students needing required courses, the school was advised by Kathy Matheny when discussing the release of staff, to maintain its teachers as it might prove difficult to re-staff should enrollment increase. These factors contributed to the inability to pay in full the Federal tax liability.

**FINDING 2003-4 AND FINDING 2003-5:**

Although, the school discontinued May 2003, the school had engaged Tyrone James to complete the 2003 audit. The fact that Mr. James did not comply delayed the audit and created the necessity to engage a new audit firm.

**FINDING 2003-6:**

The filing of the 990 will be completed.

Sincerely,

*Daniel Watson*  
SIGNATURE

10/28/04  
TITLE

*Edouard H. Blanc*  
SIGNATURE

*President*  
TITLE

RECEIVED  
LEGISLATIVE AUDITOR  
04 NOV -3 AM 11:15

**MILESTONE ACADEMY OF LEARNING EXPERIENCES  
AND SKILLS, INC.  
INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date \_\_\_\_\_

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

To the Board of Directors  
**Milestone Academy of Learning Experiences and Skills, Inc.**

We have performed the procedures included in the *Louisiana Audit Guide* and enumerated below, which were agreed to by the management of Milestone Academy of Learning Experiences and Skills, Inc. and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data 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). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules are as follows:

### PROCEDURES AND FINDINGS

#### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (SCHEDULE I)

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 reported on the schedule:
  - ❖ Total General Fund Instructional Expenditures;
  - ❖ Total General Fund Equipment Expenditures;
  - ❖ Total Taxation Revenues;
  - ❖ Total Local Earnings on Investment in Real Property;
  - ❖ Total State Revenue in Lieu of Taxes;



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

- ❖ Nonpublic Textbook Revenue; and
- ❖ Nonpublic Transportation Revenue.

We reviewed the supporting documentation for the selected transactions and determined that they were classified correctly and reported in the proper amounts on the appropriate schedule.

### **Education Levels of Public School Staff (SCHEDULE II)**

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (SCHEDULE IV) to the combined total number of full-time classroom teachers per this schedule and Milestone Academy of Learning Experiences and Skills, Inc.'s supporting payroll records as of October 1, 2002.

No differences were noted.

3. We reconciled the combined total of principals per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (SCHEDULE IV) to the combined total of principals and assistant principals per this schedule.

No differences were noted. Milestone had one principal and no assistant principals.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2002 as reported on the schedule. We traced all 17 teachers to their respective personnel file and determined if their education level was properly classified on the schedule.

The individual's education level was properly reported.

### **Number and Type of Public Schools (SCHEDULE III)**

5. Because Milestone Academy of Learning Experiences and Skills, Inc. only sponsored a secondary school (only grade twelve), we did not obtain a list of schools by type as reported on the schedule. Also, we did not compare the list of schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application. However on schedule III the type of school was properly recorded

### **Experience of Public Principals and Full-Time Classroom Teachers (SCHEDULE IV)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2002 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined

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

if the individual's experience was properly classified on the schedule. We noted no differences. The individual's experience was properly classified on the schedule.

**Public School Staff Data (SCHEDULE V)**

7. We obtained a listing 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 all teachers to their personnel file and determined if their salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted.

8. For all 17 teachers, we recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

**Class Size Characteristics (SCHEDULE VI)**

9. We obtained a list of classes and class size for Milestone Academy of Learning Experiences and Skills, Inc. as reported on the schedule. We were unable and did not trace a sample of the six twelfth grade classes to roll books for those classes to determine if the class was properly classified in the schedule.

Milestone was unable to locate roll books for us to perform this test.

**Louisiana Educational Assessment Program (LEAP) for  
The 21<sup>st</sup> Century (SCHEDULE VII)**

10. For the fiscal year ended June 30, 2003 Milestone had only twelfth grade. Therefore this schedule was not-applicable for this year.

**The Graduation Exit Exam for the 21<sup>st</sup> Century (SCHEDULE VIII)**

11. Because this schedule only applies to grades ten and eleven, we did not obtain test scores as provided by the testing authority or reconcile scores as reported by the testing authority to scores reported in the schedule by Milestone Academy of Learning Experiences and Skills, Inc.

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

**The Iowa Tests (SCHEDULE IX)**

Because this schedule only applies to grades ten and eleven, we did not obtain test scores as provided by the testing authority or reconcile scores as reported by the testing authority to scores reported in the schedule by Milestone Academy of Learning Experiences and Skills, Inc.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Hienz & Macaluso, LLC*

**Hienz & Macaluso, LLC**  
**Metairie, LA**  
September 9, 2004

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

**SCHEDULE I**                    - **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 II**                    - **Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Masters + 30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE III**                    - **Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the AFSR.

**SCHEDULE IV**                    - **Experience of Public Principals and  
Full-Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the AFSR.

**SCHEDULE V**                    - **Public School Staff Data**

This schedule includes average classroom teacher salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the AFSR.

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

**SCHEDULE VI**

**- 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. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE VII**

**- Louisiana Educational Assessment Program (LEAP)  
For the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**SCHEDULE VIII**

**- The Graduation Exit Exam for the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**SCHEDULE IX**

**- The IOWA Tests**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

Milestone Academy of Learning Experiences and Skills  
New Orleans, Louisiana

General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2003

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$138,289	
Other Instructional Staff Activities	\$40,180	
Employee Benefits	\$27,356	
Purchased Professional and Technical Services:	\$64,536	
Instructional Materials and Supplies	<u>\$22,356</u>	
Instructional Equipment		
Total Teacher and Student Interaction Activities		<u>\$292,717</u>

Other Instructional Activities

Pupil Support Activities	<u>\$1,250</u>	
Less: Equipment for Pupil Support Activities	<u>\$0</u>	
Net Pupil Support Activities		\$1,250

Instructional Staff Services	<u>\$46,067</u>	
Less: Equipment for Instructional Staff Services	<u>\$0</u>	
Net Instructional Staff Services		\$46,067

Total General Fund Instructional Expenditures \$340,034

Total General Fund Equipment Expenditures \$0

**Certain Local Revenue Sources**

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	0
Renewable Ad Valorem Tax	0
Debt Service Ad Valorem Tax	0
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	0
Sales and Use Taxes	0
Total Location Taxation Revenue	

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	0
Earnings from Other Real Property	0
Total Local Earnings on Investment in Real Property	

State Revenue in Lieu of Taxes:

Revenue Sharing-Constitutional Tax	0
Revenue Sharing-Other Taxes	0
Revenue Sharing-Excess Portion	0
Other Revenue in Lieu of Taxes	0
Total State Revenue in Lieu of Taxes	

Nonpublic Textbook Revenue	0
Nonpublic Transportation Revenue	0

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
 Education Levels of Public School Staff  
 As of October 1, 2002

Schedule 2

Category	Full-Time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree			1	14.3				
Bachelor's Degree	3	43						
Master's Degree	1	14.3	1	14.3			1	100
Master's Degree + 30	1	14.3						
Specialist in Education								
Ph. D. or Ed. D.								
<b>Total</b>	<b>5</b>		<b>2</b>				<b>1</b>	

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
 ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
Number and Type of Public Schools  
For the Year Ended June 30, 2003

Schedule 3

Type	Number
Elementary	
Middle/Jr. High	
Secondary	1
Combination	
<b>Total</b>	<b>1</b>

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
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**Milestone Academy of Learning Experiences and Skills**  
**Experience of Public Principals and Full-Time Classroom Teachers**  
**As of October 1, 2002**

Schedule 4

	0-1 Yr	2-3 Yrs	4-10 Yrs	11-14 Yrs	15-19 Yrs	20-24 Yrs	25+ Yrs	Total
Assistant Principals								0
Principals			1					1
Classroom Teachers	1	1	3			1	1	7
<b>Total</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>8</b>

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
 ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
 Public School Staff Data  
 For the Year Ended June 30, 2003

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$24,485.48	\$32,666.67
Average Classroom Teachers' Salary Excluding Extra Compensation	\$24,485.48	\$ 32,666.67
Number of Teacher Full-Time Equivalent (FTEs) used in Computation of Average Salaries	7	3

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
 ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
 Class Size Characteristics  
 As of October 1, 2002

Schedule 6

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr High								
Middle/Jr High Activity Classes								
High	100	6						
High Activity Classes								
Combination								
Combination Activity Classes								

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
 ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Year Ended June 30, 2003

Schedule 7

Not Applicable

District Achievement Level Results	English Language Arts				Mathematics							
	2003		2002		2001		2003		2002		2001	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 4</b>												
Advanced	0	0	0	0	0	0	0	0	0	0	0	0
Proficient	0	0	0	0	0	0	0	0	0	0	0	0
Basic	0	0	0	0	0	0	0	0	0	0	0	0
Approaching Basic	0	0	0	0	0	0	0	0	0	0	0	0
Unsatisfactory	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Not Applicable

District Achievement Level Results	Science				Social Studies							
	2003		2002		2001		2003		2002		2001	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 8</b>												
Advanced	0	0	0	0	0	0	0	0	0	0	0	0
Proficient	0	0	0	0	0	0	0	0	0	0	0	0
Basic	0	0	0	0	0	0	0	0	0	0	0	0
Approaching Basic	0	0	0	0	0	0	0	0	0	0	0	0
Unsatisfactory												
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
The Graduation Exit Exam for the 21st Century  
For the Year Ended June 30, 2003

Schedule 8

District Achievement Level Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 10</b>												
Advanced	0	0	0	0	0	0	0	0	0	0	0	0
Proficient	0	0	0	0	1	1	0	0	0	0	0	0
Basic	0	0	1	6	24	27	0	0	0	0	14	16
Approaching Basic	0	0	5	31.3	32	36	0	0	8	18.2	9	10
Unsatisfactory	0	0	10	62.5	33	37	0	0	36	81.8	67	74
<b>Total</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>99.8</b>	<b>90</b>	<b>101</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>100</b>	<b>90</b>	<b>100</b>

District Achievement Level Results	Science						Social Studies					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 11</b>	NA				NA		NA				NA	
Advanced	0	0	0	0	0	0	0	0	0	0	0	0
Proficient	0	0	2	2.7	0	0	0	0	0	0	0	0
Basic	0	0	9	12.2	0	0	0	0	11	14.9	0	0
Approaching Basic	0	0	23	31.1	0	0	0	0	24	32	0	0
Unsatisfactory	0	0	40	54.1	0	0	0	0	39	52.7	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>74</b>	<b>100.1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74</b>	<b>99.6</b>	<b>0</b>	<b>0</b>

NOTE: In 2003 Milestone only had a grade twelve.

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Milestone Academy of Learning Experiences and Skills  
The IOWA Tests  
For the Year Ended June 30, 2003

Schedule 9

Composite  
2003      2002      2001

**Test of Basic Skills (ITBS)**

	2003	2002	2001
Grade 3			
Grade 5			
Grade 6			
Grade 7			

**Tests of Educational Development (ITED)**

Grade 9

**NOTE: In 2003 Milestone only had a grade twelve.**

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES