

School for a New Millennium, Inc.

Baton Rouge, Louisiana

*Financial Statements
and Supplementary Information*

and

Agreed-Upon Procedures

Year Ended June 30, 2019

William D. Mercer, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
School for a New Millennium, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of School for a New Millennium, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School for a New Millennium, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise School for a New Millennium, Inc.'s basic financial statements. The schedule of compensation, benefits, and other payments to agency head on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head on page 21 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits, and other payments to agency head on page 21 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 26, 2019, on my consideration of School for a New Millennium, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School for a New Millennium, Inc.'s internal control over financial reporting and compliance.

Baton Rouge, Louisiana
December 26, 2019

WILLIAM D. MERGER, CPA (APR)



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

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

To the Board of Directors
School for a New Millennium, Inc.
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of School for a New Millennium, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 26, 2019.

Internal Control over Financial Reporting

In planning and performing my audit, I considered School for a New Millennium, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School for a New Millennium, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to material weaknesses, as defined above.

Compliance and Other Matters

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

Purpose of this Report

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

Baton Rouge, Louisiana
December 26, 2019

WILLIAM J. MERCER CPA (ARAC)

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT:

Cash and cash equivalents	\$	627,099
Accounts receivable		150,296
Prepaid rent – current portion		60,000
Prepaid expenses		<u>1,650</u>
Total Current Assets		<u>839,045</u>

PROPERTY AND EQUIPMENT:

Building and land improvements		42,605
Furniture		50,888
Machinery and equipment		361,309
Playground equipment		<u>33,891</u>
		488,693
Less accumulated depreciation		<u>401,632</u>
Net Property and Equipment		<u>87,061</u>

LONG-TERM:

Prepaid expenses – noncurrent		<u>-</u>
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TOTAL ASSETS \$ 926,106

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

LIABILITIES

CURRENT:

Accounts payable	\$	40,514
Accrued expenses		18,837
Payroll taxes payable		1,742
Other current liabilities		<u>2,118</u>

TOTAL LIABILITIES (all current) 63,211

NET ASSETS

With donor restrictions:

Student activities		1,200
Unrestricted		<u>861,695</u>

TOTAL NET ASSETS 862,895

TOTAL LIABILITIES AND NET ASSETS \$ 926,106

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

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES:			
State charter school funding	\$ 1,902,357	\$ -	\$ 1,902,357
Food service revenue	166,329	-	166,329
Donations	2,870	-	2,870
Grants	-	108,921	108,921
Interest income	159	-	159
Other miscellaneous revenues	37,430	-	37,430
Loss on prepaid rents	(696,657)	-	(696,657)
Net assets released from restrictions	<u>108,921</u>	<u>(108,921)</u>	<u>-</u>
Total Revenues	<u>1,521,409</u>	<u>-</u>	<u>1,521,409</u>
EXPENSES:			
Program services:			
Academic programs	1,831,187	-	1,837,187
Supporting services:			
General and administrative expenses	<u>517,009</u>	<u>-</u>	<u>517,009</u>
Total Expenses	<u>2,348,196</u>	<u>-</u>	<u>2,348,196</u>
 Change in net assets	 (826,787)	 -	 (826,787)
 NET ASSETS, beginning of year	 <u>1,688,482</u>	 <u>1,200</u>	 <u>1,689,682</u>
 NET ASSETS, end of year	 <u>\$ 861,695</u>	 <u>\$ 1,200</u>	 <u>\$ 862,895</u>

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

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Academic Programs</u>	<u>General and Administrative</u>
Advertising	\$ -	\$ 25,745
Depreciation	24,542	-
Employee and retiree benefits	144,405	-
Equipment rental	-	11,681
Extended day services	11,695	-
Food services	131,909	-
Insurance	33,788	-
Janitorial	-	66,273
Legal, accounting and professional services	25,040	81,528
Materials and supplies	8,424	-
Miscellaneous and indirect costs	40,271	24,084
Occupancy	38,747	6,976
Office expense	-	9,035
Payroll taxes	69,283	18,468
PBIS	17,917	-
Professional development	24,256	-
Repairs and maintenance	33,353	-
Salaries	960,329	270,038
Special programs and events	5,094	-
State association expense	-	3,181
Summer camp	2,088	-
Textbooks	35,237	-
Transportation	223,679	-
Travel	<u>1,130</u>	<u>-</u>
Totals	\$ <u>1,831,187</u>	\$ <u>517,009</u>

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

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$(826,787)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	24,542
Loss on prepaid rent	696,657
(Increase) decrease in:	
Accounts receivable	65,838
Prepaid expenses	6,672
Increase (decrease) in:	
Accounts payable	(30,758)
Accrued expenses	<u>(170)</u>
Net cash used by operating activities	<u>(64,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for the purchase of property	<u>(63,035)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Refund of prepaid noncurrent expenses	<u>100,000</u>
NET DECREASE IN CASH	(27,041)
CASH AND CASH EQUIVALENTS, beginning of year	<u>654,140</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>627,099</u></u>

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

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

School for a New Millennium, Inc. (the School) is a not-for-profit organization incorporated in November, 1995, under Louisiana Revised Statute 17:3991. The School began operating as a charter elementary school in Baton Rouge, Louisiana, under contract with the East Baton Rouge Parish School Board in 1995. The School is primarily funded by funds received under this contract.

Method of accounting

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

Basis of presentation

Net assets of the School and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. This also includes previously restricted gifts and grants for buildings and equipment that have been placed into service.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and pledges for buildings and equipment not yet placed in service. Also included in this net asset category are net assets subject to donor-imposed restrictions to be maintained permanently by the School, including gifts and pledges where donors stipulate that the corpus of the gift be held in perpetuity and that only income be made available for program operations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The School regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include provisions for doubtful accounts receivable and estimated useful lives of property and equipment.

Cash and cash equivalents

For the purpose of the statement of cash flows, the School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable represents funds under charter school contracts that have been billed but not collected as of the date of the financial statements. As of June 30, 2019, all accounts receivable represent funds owed to the School by state and local governmental agencies. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income in the year of the disposal.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of depreciable assets, ranging from five to thirty years.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The School periodically reviews these lives relative to physical factors, economic factors, and industry trends. If there are changes in the planned use of property and equipment or if technological changes occur more rapidly than anticipated, the useful lives assigned to those assets may be shortened, resulting in the recognition of increased depreciation expense in future periods.

Revenue recognition

The School reports contributions as support with donor restrictions if they are received with donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Revenues from government agency contracts and fees are recognized in the period in which the School provides the service.

Income taxes

The School is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The School expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. As of June 30, 2019, the Organization had no advertising classified as assets, and all advertising was expensed as incurred.

Functional allocation of expenses

The costs of providing various academic programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Management of liquid resources

The School is primarily funded by charter school contract fees. The School also may receive contributions and grants that may contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the School must maintain adequate resources to meet those responsibilities to its donors and grantors, and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the School has a goal to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Board of Directors may occasionally designate amounts to a liquidity reserve that could be utilized in the event of an unanticipated liquidity need.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

Recent accounting pronouncements

During the year ended June 30, 2019, the School adopted ASU 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service, and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and presentation of expenses by both their natural and functional classification.

Subsequent events

In preparing the accompanying financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 26, 2019, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019, were as follows:

Cash on hand	\$	-
Cash in bank – checking / savings		627,099
Cash in bank – money market		<u>-</u>
	\$	<u>627,099</u>

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – LEASE COMMITMENTS

The School leased land in East Baton Rouge Parish for planned future facilities and expansion under an operating lease with an unrelated party. This lease was scheduled to terminate in June 2011 under a contract to purchase the land. This lease was transferred to Children’s Charter School Foundation, Inc., during the year ended June 30, 2012. No rental expense was recognized for the year ended June 30, 2016. As of June 30, 2017, plans for future facilities and expansion under this lease had been cancelled, and advance rent payments totaling \$ 856,657 were previously reported in the financial statements as a component of long-term assets. A partial refund of these advance payments totaling \$ 100,000 was received during the year ended June 30, 2019. Additionally, another partial refund of these advance payments totaling \$ 60,000 was received subsequent to the date of the accompanying financial statements. The remaining balance of \$ 696,657 was deemed to be uncollectible as of June 30, 2019, and the amount was charged to operations during the current period.

Additionally, the School leases its current teaching facilities under an operating lease with the East Baton Rouge Parish School Board. This lease matured in June 2017 but was extended in July 2017 for an additional three years and requires monthly payments of \$100. Rental expense under this lease totaled \$1,200 for the year ended June 30, 2019.

Future minimum lease payments under all operating leases as of June 30, 2019, were as follows:

Year ended <u>June 30,</u>		
2020	\$	1,200
2021		-
2022		-
2023		-
2024		-

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE D – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended June 30, 2019, were as follows:

Interest	\$ _____ -
Income taxes	\$ _____ -

For the year ended June 30, 2019, the Organization had the following noncash investing and financing activities:

Loss on prepaid rent expense (see Note C)	\$ 696,657
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NOTE E – SIGNIFICANT CONCENTRATIONS OF RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and contract revenues.

The School maintains its cash account in a checking account at commercial banks located in Louisiana. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times through the year exceeded the federally insured limit. As of June 30, 2019, the School had uninsured cash balances totaling \$ 377,099.

The School receives a significant portion of its revenues from contracts with the East Baton Rouge Parish School Board for elementary school operations. A reduction in the amount of revenue provided by the East Baton Rouge Parish School Board, should this occur, would have a significant impact on the School's ability to carry out its activities at current levels.

NOTE F – RETIREMENT PLANS

Elementary school employees are eligible to participate in a 401(k) plan administered by an outside third party. Retirement expenses for the year ended June 30, 2019, totaling \$ 11,896 are included in the accompanying financial statements as a component of academic program expenses.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE G – AVAILABILITY OF FINANCIAL RESOURCES

The below represents the School's financial assets as of June 30, 2019, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board-designated amounts that could be utilized if the Board of Directors approved the use.

Financial assets, June 30, 2019:	
Cash and cash equivalents	\$ 627,099
Receivables	150,296
Prepaid rent (returned subsequent to June 30, 2019)	<u>60,000</u>
	837,395
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	1,200
Board designations	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>836,195</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

Two former employees of the School filed a lawsuit against the School, claiming that they are entitled to additional wages and statutory penalties under Louisiana's final paycheck law. The School denies any liability to the former employees and intends to vigorously defend against these claims. Because the lawsuit is in its earliest phases, management and legal counsel are unable to assess the likelihood that the School will prevail over the former employees or the extent of potential liability, if any, to the School.

SUPPLEMENTARY INFORMATION

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
Year Ended June 30, 2019

Agency Head: Latasha Skidmore, Principal

Purpose:	Amount:
Salary	\$ 70,857
Benefits – insurance	\$ 12,046
Benefits – retirement	\$ 3,803
Benefits – other	\$ 5,421
Car mileage allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	\$ 3,302
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Contract services	None
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS

Year Ended June 30, 2019

There were no findings for the fiscal year ended June 30, 2019.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

The prior audit report for the fiscal year ended June 30, 2018, dated December 27, 2018, disclosed the following finding:

Finding No. 2018-001 – Audit report

The Organization did not submit audited financial statements to the Louisiana Legislative Auditor within the period prescribed by applicable regulations. The specific cause for the late submission could not be determined. However, the Organization experienced significant turnover in administrative staff subsequent to year-end, which may have resulted in delays in commencing and completing audit fieldwork and the submission of the audited financial statements. The submission of the required audited financial statements was made in early January 2018, which satisfied the reporting requirements for the year ended June 30, 2018. No similar finding was noted in the current audit period (see Schedule of Findings).



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Board of and the Louisiana Legislative Auditor
School for a New Millennium, Inc.
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by School for a New Millennium, Inc. (Entity) and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Organization provided a "Louisiana Charter School Handbook for School Administrators." This handbook was prepared by an outside party and included general information related to, among other topics, open meetings, budgeting, public bid law, and ethics. However, the other areas noted above were not included in this publication.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

A listing of all bank accounts was obtained from management. During the fiscal period, the organization had one operating checking account and one savings account. Bank statements and bank reconciliations for the month of June 2019 were examined. Reconciliations were prepared by the entity's external accountant within one month of the statement closing date, and bank reconciliations were reviewed by the Board President per the external accountant. However, no evidence of the review of these statements and related reconciliations were noted. As of June 30, 2019, three checks totaling \$1,349.60 had been outstanding for more than 12 months, and no evidence to support research of this item was noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representations that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No misappropriates of public funds or assets were known or disclosed for the fiscal period.

31. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Entity has posted on its premises the required notice related to reporting of misappropriation, fraud, waste, or abuse of public funds. The required notice is also posted on the entity's website.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Baton Rouge, Louisiana
December 26, 2019

WILLIAM J. MERCER, CPA (APR)



CHILDREN'S CHARTER SCHOOL
SCHOOL FOR A NEW MILLENNIUM, INC.
1143 North Street Baton Rouge, LA 70802
Phone: (225) 387-9273 Fax: (225) 387-9272
www.ccesbr.org

CORRECTIVE ACTION PLAN
Year ended June 30, 2019

CURRENT YEAR FINDINGS

We are pleased to note that no findings for the current fiscal year were reported, as discussed in the auditor's report.

PRIOR YEAR FINDINGS

As noted in the auditor's report, the finding in the prior year related to late submission of required audited financial statements, was satisfied with the submission of the required documentation, and this finding was not repeated in the current period.

A handwritten signature in blue ink, appearing to be "C. R. T.", written over a horizontal line.

Signature

The handwritten text "Ops Manager" in blue ink, written over a horizontal line.

Title

The handwritten date "12/30/2019" in blue ink, written over a horizontal line.

Date



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MANAGEMENT REPOSSES TO EXCEPTIONS IN
AGREED-UPON PROCEDURES REPORT
Year ended June 30, 2019

Written policies and procedures

We concur with the exception noted in the accountant's report regarding the School's written policies and procedures. The handbook referenced by the accountant in his exception contains information related to the administration and operation of a charter school, but does not include all of the various items noted in the agreed-upon procedure. We will work with our Board, administration, and outside consultants to develop a written policies and procedures manual that will address all of the applicable items noted in the agreed-upon procedures.

Bank reconciliations

We concur with the exception noted in the accountant's report regarding outstanding checks. As a result of this matter, we have researched outstanding checks, and found they included one expense reimbursement check to a former employee and two outstanding vendor checks. As of the issuance of the agreed-upon procedures report, the check had not been cashed, and the former employee could not be reached. We have contacted our outside accountants to adjust our books and records to properly account for this outstanding item.

We believe the above actions are responsive to the exceptions noted in the accountant's agreed-upon procedures report.



Signature

ops Manager

Title

12/30/2019
