

**School for a New Millennium, Inc.**

Baton Rouge, Louisiana

*Financial Statements  
and Supplementary Information*

Year Ended June 30, 2013

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 JAN 08 2014

**William D. Mercer, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION

## CONTENTS

	<u>Pages</u>
Independent Auditor's Report	3 – 4
Statement of Financial Position	5 – 6
Statement of Revenues and Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17
Supplementary Information:	
Schedule of Functional Expenses	19
Schedule of Findings and Questioned Costs	20
Schedule of Prior Year Findings and Responses	21



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, 2013, 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.

3535 S. SHERWOOD FOREST BLVD., SUITE 201  
BATON ROUGE, LA 70816  
(225) 291-1411  
(225) 291-1412  
WMERCERCPA@COX.NET

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, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***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 functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of functional expenses on page 19 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 functional expenses on page 19 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 21, 2013 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.

WILLIAM J. MERCER, CPA (NOAC)

Baton Rouge, Louisiana  
December 21, 2013

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

STATEMENT OF FINANCIAL POSITION

June 30, 2013

---

**ASSETS**

**CURRENT:**

Cash and cash equivalents	\$	362,580
Accounts receivable		139,777
Prepaid expenses		<u>4,811</u>
Total Current Assets		<u>507,168</u>

**PROPERTY AND EQUIPMENT:**

Building and land improvements		34,782
Furniture		48,589
Machinery and equipment		295,583
Playground equipment		<u>33,891</u>
		412,845
Less accumulated depreciation		<u>267,823</u>
Net Property and Equipment		<u>145,022</u>

**LONG-TERM:**

Prepaid expenses – noncurrent		<u>906,657</u>
-------------------------------	--	----------------

**TOTAL ASSETS** **\$ 1,558,847**

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

---

**LIABILITIES**

**CURRENT:**

Accounts payable	\$ 92,122
Accrued expenses	16,063
Payroll taxes payable	<u>1,456</u>

**TOTAL LIABILITIES (all current)** 109,641

**NET ASSETS**

Permanently restricted	-
Temporarily restricted	108,450
Unrestricted	<u>1,340,756</u>

**TOTAL NET ASSETS** 1,449,206

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,558,847

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

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

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Totals
<b>REVENUES:</b>			
State charter school funding	\$ 2,376,588	\$ -	\$ 2,376,588
Grants	4,643	1,500	6,143
Other miscellaneous revenues	58,980	-	58,980
Gain on sale of assets	60,650	-	60,650
Net assets released from restrictions	42,050	( 42,050)	-
<b>Total Revenues</b>	<b>2,542,911</b>	<b>( 40,550)</b>	<b>2,502,361</b>
<b>EXPENSES:</b>			
<b>Program services:</b>			
Academic programs	2,021,817	-	2,021,817
<b>Supporting services:</b>			
General and administrative expenses	562,531	-	562,531
<b>Total Expenses</b>	<b>2,584,348</b>	<b>-</b>	<b>2,584,348</b>
 Change in net assets	 ( 41,437)	 ( 40,550)	 ( 81,987)
<b>NET ASSETS, beginning of year</b>	<b>1,382,193</b>	<b>149,000</b>	<b>1,531,193</b>
 <b>NET ASSETS, end of year</b>	 <b>\$ 1,340,756</b>	 <b>\$ 108,450</b>	 <b>\$ 1,449,206</b>

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, 2013

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$( 81,987)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	45,196
(Gain) Loss on disposal of assets	( 60,650)
(Increase) decrease in:	
Accounts receivable	59,227
Prepaid expenses	( 434,272)
Increase (decrease) in:	
Accounts payable	70,802
Accrued expenses	( <u>6,481</u> )
 Net cash used by operating activities	 ( <u>408,165</u> )
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Cash payments for purchase of property	( 8,981)
Cash proceeds from the sale of property	<u>227,920</u>
 Net cash provided by investing activities	 <u>218,939</u>
 <b>NET DECREASE IN CASH</b>	 ( 189,226)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	 <u>551,806</u>
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	 \$ <u><u>362,580</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:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets 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, 2013, 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 restricted support if they are received with no 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.

The School's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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, 2013, the Organization had no advertising classified as assets, and all advertising was expensed as incurred.

Expense allocation

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.

Subsequent events

In preparing the accompanying financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 20, 2013, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2013, were as follows:

Cash on hand	\$	-
Cash in bank – checking / savings		362,580
Cash in bank – money market		<u>-</u>
	\$	<u>362,580</u>

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

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE C – LEASE COMMITMENTS

As detailed in Note D, 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, 2013.

Additionally, the School leases its current teaching facilities under an operating lease with the East Baton Rouge Parish School Board. This lease, which terminates in June 2014, requires monthly payments of \$100. The term of the lease may be extended for an additional 24 months by giving written notice to the lessor on or prior to ninety days before the expiration of the initial lease term. Rental expense under this lease totaled \$ 1,200 for the year ended June 30, 2013.

Future minimum lease payments under all operating leases as of June 30, 2013, were as follows:

<u>Year ended</u> <u>June 30,</u>		
2014	\$	1,200
2015		-
2016		-
2017		-
2018		-

As of June 30, 2013, the School had agreed in principle to a lease with Children’s Charter School Foundation, Inc., for future facilities to be occupied by the School. As of the issuance of these financial statements, this lease had not been finalized. Management anticipates monthly lease payments of approximately \$ 15,000 once the lease is finalized and the school occupies the new facilities.

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

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE D – REAL PROPERTY CONTRACT OF LEASE AND AGREEMENT TO PURCHASE

The School entered into a contract of lease and agreement to purchase a facility and land in Baton Rouge, Louisiana. The original term of the lease was for approximately thirteen months, commencing May 2010 and expiring in June 2011. The lease would automatically terminate upon the School's exercising its option to purchase the property. Rent for the term of the lease agreement was \$ 4,000 per month commencing June 2010. The School did not exercise its option to purchase the land, but transferred the contract and the associated rights to Children's Charter School Foundation, Inc., a nonprofit entity organized to fund and acquire facilities for the School's use.

NOTE E – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended June 30, 2013, were as follows:

Interest	\$ <u>          -</u>
Income taxes	\$ <u>          -</u>

The School had no noncash investing and financing activities for the year ended June 30, 2013.

NOTE F – SIGNIFICANT CONCENTRATIONS OF RISK

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

The Organization 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, 2013, the School had uninsured cash balances totaling \$ 112,580.

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

NOTES TO THE FINANCIAL STATEMENTS

---

**NOTE F – SIGNIFICANT CONCENTRATIONS OF RISK (continued)**

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 G – 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, 2013, totaling \$ 16,199 are included in the accompanying financial statements as a component of academic program expenses.

**NOTE H – SALE OF PROPERTY**

In June 2013, the School sold land to an unrelated party for \$ 200,000. As a condition of this sale, \$100,000 of the sales proceeds was transferred to Children's Charter School Foundation, Inc., a nonprofit entity organized to fund and acquire facilities for the School's use. This donation is shown as a component of general and administrative expenses in the accompanying financial statements.



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, 2013, 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 21, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered School for a New Millennium'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'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.

3535 S. SHERWOOD FOREST BLVD., SUITE 201  
BATON ROUGE, LA 70816  
(225) 291-1411  
(225) 291-1412  
WMERCERCPA@COX.NET

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School for a New Millennium'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 21, 2013

William J. Mercer CPA (NAC)

**SUPPLEMENTARY INFORMATION**

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

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	<u>Academic Programs</u>	<u>General and Administrative</u>
Advertising	\$ -	\$ 9,293
Depreciation	45,196	-
Donations	-	100,000
Employee and retiree benefits	140,163	-
Equipment rental	-	10,893
Food services	27,748	-
Insurance	36,040	-
Legal and accounting	-	90,619
Materials and supplies	32,780	-
Miscellaneous and indirect costs	49,401	34,647
Office expense	-	7,337
Payroll taxes	82,760	17,806
Professional development	40,881	-
Professional services	89,335	31,634
Rent and utilities	40,045	-
Repairs and maintenance	109,155	-
Salaries	1,055,872	239,774
Security	3,620	-
Special programs and events	14,775	-
State association expense	-	7,112
Telephone and postage	-	13,416
Textbooks and testing supplies	23,165	-
Transportation	230,114	-
Travel	<u>767</u>	<u>-</u>
Totals	\$ <u>2,021,817</u>	\$ <u>562,531</u>

See auditor's report on supplementary information.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

---

There were no findings or questioned costs for the fiscal year ended June 30, 2013.

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

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

---

The prior audit report for the fiscal year ended June 30, 2012, dated December 26, 2012, disclosed no findings or questioned costs.