School for a New Millennium, Inc.
Baton Rouge, Louisiana

Financial Statements
and Supplementary Information

and

Agreed-Upon Procedures

Year Ended June 30, 2017

William D. Mercer, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>3 – 4</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>5 – 6</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>7</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>9 – 15</td>
</tr>
<tr>
<td>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>16 – 17</td>
</tr>
<tr>
<td>Supplementary Information:</td>
<td></td>
</tr>
<tr>
<td>Schedule of Functional Expenses</td>
<td>19</td>
</tr>
<tr>
<td>Schedule of Compensation, Benefits, and Other Payments to Agency Head</td>
<td>20</td>
</tr>
<tr>
<td>Schedule of Findings</td>
<td>21</td>
</tr>
<tr>
<td>Schedule of Prior Year Findings</td>
<td>22</td>
</tr>
<tr>
<td>Independent Accountant’s Report on Applying Agreed-Upon Procedures</td>
<td>23 – 33</td>
</tr>
<tr>
<td>Management’s Response to Agreed-Upon Procedures</td>
<td>34</td>
</tr>
</tbody>
</table>
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, 2017, 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, 2017, 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 functional expenses on page 19 and the schedule of compensation, benefits, and other payments to agency head on page 20 are 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 and the schedule of compensation, benefits, and other payments to agency head on page 20 are 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 and the schedule of compensation, benefits, and other payments to agency head on page 20 are 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 28, 2017, 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 28, 2017

/William D. Mear, CPA (CPAE)/
SCHOOL FOR A NEW MILLENIUM, INC.  
Baton Rouge, Louisiana  

STATEMENT OF FINANCIAL POSITION  
June 30, 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents $163,056</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable 138,532</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong> $301,588</td>
<td></td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT:</strong></td>
<td></td>
</tr>
<tr>
<td>Building and land improvements 42,605</td>
<td></td>
</tr>
<tr>
<td>Furniture 50,888</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment 298,274</td>
<td></td>
</tr>
<tr>
<td>Playground equipment 33,891</td>
<td></td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong> 347,503</td>
<td></td>
</tr>
<tr>
<td><strong>Net Property and Equipment</strong> 78,155</td>
<td></td>
</tr>
<tr>
<td><strong>LONG-TERM:</strong></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses – noncurrent 1,106,657</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$1,486,400</strong></td>
</tr>
</tbody>
</table>

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

CURRENT:

Accounts payable $ 3,301
Accrued expenses 25,170
Payroll taxes payable 2,000
Other current liabilities 2,119

TOTAL LIABILITIES (all current) 32,590

NET ASSETS

Permanently restricted -
Temporarily restricted 1,200
Unrestricted 1,452,610

TOTAL NET ASSETS 1,453,810

TOTAL LIABILITIES AND NET ASSETS $ 1,486,400

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, 2017

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State charter school funding</td>
<td>$2,240,046</td>
<td>$</td>
<td>$2,240,046</td>
</tr>
<tr>
<td>Food service revenue</td>
<td>206,684</td>
<td>-</td>
<td>206,684</td>
</tr>
<tr>
<td>Donations</td>
<td>7,879</td>
<td>-</td>
<td>7,879</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>26,800</td>
<td>26,800</td>
</tr>
<tr>
<td>Interest income</td>
<td>255</td>
<td>-</td>
<td>255</td>
</tr>
<tr>
<td>Other miscellaneous revenues</td>
<td>46,396</td>
<td>-</td>
<td>46,396</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>26,800</td>
<td>(26,800)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$2,528,060</td>
<td>-</td>
<td>$2,528,060</td>
</tr>
</tbody>
</table>

| **EXPENSES:**            |              |                        |            |
| Program services:        |              |                        |            |
| Academic programs        | 2,133,457    | -                      | 2,133,457  |
| Supporting services:     |              |                        |            |
| General and administrative expenses | 474,940 | -                      | 474,940    |
| **Total Expenses**       | $2,608,397   | -                      | $2,608,397 |

| **Change in net assets** | (80,337)     | -                      | (80,337)   |
| **NET ASSETS, beginning of year** | 1,532,947 | 1,200                 | 1,534,147  |
| **NET ASSETS, end of year** | $1,452,610 | $1,200                | $1,453,810 |

The accompanying notes are an integral part of these financial statements.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets $( 80,337)

Adjustments to reconcile changes in net assets to net cash provided by operating activities:

Depreciation 34,144

(Increase) decrease in:

Accounts receivable ( 70,210)

Increase (decrease) in:

Accounts payable ( 29,976)

Accrued expenses 8,076

Other current liabilities 2,677

Net cash used by operating activities ( 135,626)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for purchase of property ( 17,450)

NET DECREASE IN CASH ( 153,076)

CASH AND CASH EQUIVALENTS, beginning of year 316,132

CASH AND CASH EQUIVALENTS, end of year $ 163,056

The accompanying notes are an integral part of these 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.
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, 2017, 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.
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 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.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The School expensed 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, 2017, 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 21, 2017, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2017, were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$</td>
</tr>
<tr>
<td>Cash in bank – checking / savings</td>
<td>163,056</td>
</tr>
<tr>
<td>Cash in bank – money market</td>
<td>$</td>
</tr>
</tbody>
</table>

$ 163,056
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 $1,106,657 are included in the accompanying financial statements as a component of long-term assets. Management does not anticipate this prepaid rent will be returned by the Children’s Charter School Foundation, Inc., or applied against a future land lease within 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, 2017.

Future minimum lease payments under all operating leases as of June 30, 2017, were as follows:

<table>
<thead>
<tr>
<th>Year ended</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1,200</td>
</tr>
<tr>
<td>2019</td>
<td>1,200</td>
</tr>
<tr>
<td>2020</td>
<td>1,200</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE D – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended June 30, 2017, were as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$ _____ -</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$ _____ -</td>
</tr>
</tbody>
</table>

For the year ended June 30, 2017, the Organization had no noncash investing or financing activities.

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, 2017, the School had no uninsured cash balances.

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, 2017, totaling $15,825 are included in the accompanying financial statements as a component of academic program expenses.
NOTE G – SUBSEQUENT EVENTS

On December 2, 2015, a lawsuit was filed naming the Organization as a defendant. The suit alleges a bus driven by the transportation company hired by the Organization was involved in an accident which caused injury to the plaintiff. As of the issuance of these financial statements, the matter was still pending, and the possible outcome of this suit was unknown.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE 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, 2017, 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 28, 2017.

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 28, 2017

[Signature]
## Schedule of Functional Expenses

**Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Academic Programs</th>
<th>General and Administrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$</td>
<td>$ 14,188</td>
</tr>
<tr>
<td>Depreciation</td>
<td>34,144</td>
<td>-</td>
</tr>
<tr>
<td>Employee and retiree benefits</td>
<td>202,796</td>
<td>-</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>-</td>
<td>11,120</td>
</tr>
<tr>
<td>Food services</td>
<td>193,524</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>36,197</td>
<td>-</td>
</tr>
<tr>
<td>Janitorial</td>
<td>-</td>
<td>34,352</td>
</tr>
<tr>
<td>Legal, accounting and professional services</td>
<td>18,900</td>
<td>66,343</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>47,635</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous and indirect costs</td>
<td>49,375</td>
<td>28,382</td>
</tr>
<tr>
<td>Office expense</td>
<td>-</td>
<td>6,870</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>82,930</td>
<td>18,390</td>
</tr>
<tr>
<td>Professional development</td>
<td>37,722</td>
<td>-</td>
</tr>
<tr>
<td>Rent and utilities</td>
<td>38,132</td>
<td>-</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>698</td>
<td>30,636</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,156,924</td>
<td>258,361</td>
</tr>
<tr>
<td>Security</td>
<td>554</td>
<td>-</td>
</tr>
<tr>
<td>Special programs and events</td>
<td>22,010</td>
<td>-</td>
</tr>
<tr>
<td>State association expense</td>
<td>-</td>
<td>1,779</td>
</tr>
<tr>
<td>Telephone and postage</td>
<td>-</td>
<td>4,519</td>
</tr>
<tr>
<td>Textbooks</td>
<td>1,532</td>
<td>-</td>
</tr>
<tr>
<td>Transportation</td>
<td>230,384</td>
<td>-</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$ 2,133,457</td>
<td>$ 474,940</td>
</tr>
</tbody>
</table>

See auditor’s report on supplementary information.
Agency Head: Edmund Greenup, Principal

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$ 85,000</td>
</tr>
<tr>
<td>Benefits – insurance</td>
<td>$ 14,583</td>
</tr>
<tr>
<td>Benefits – retirement</td>
<td>$ 3,893</td>
</tr>
<tr>
<td>Benefits – other</td>
<td>$ 6,503</td>
</tr>
<tr>
<td>Car mileage allowance</td>
<td>None</td>
</tr>
<tr>
<td>Vehicle provided by government</td>
<td>None</td>
</tr>
<tr>
<td>Per diem</td>
<td>None</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>$ 13,917</td>
</tr>
<tr>
<td>Travel</td>
<td>None</td>
</tr>
<tr>
<td>Registration fees</td>
<td>None</td>
</tr>
<tr>
<td>Conference travel</td>
<td>None</td>
</tr>
<tr>
<td>Continuing professional education fees</td>
<td>None</td>
</tr>
<tr>
<td>Contract services</td>
<td>None</td>
</tr>
<tr>
<td>Unvouchered expenses</td>
<td>None</td>
</tr>
<tr>
<td>Special needs</td>
<td>None</td>
</tr>
</tbody>
</table>

See auditor’s report on supplementary information.
There were no findings for the fiscal year ended June 30, 2017.
The prior audit report for the fiscal year ended June 30, 2016, dated December 30, 2016, disclosed no findings.
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, 2016 through June 30, 2017. 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 the entity’s written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:  
   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**, including receiving, recording, and preparing deposits  
   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, and (5) monitoring card usage

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. Note: Ethics requirements are not applicable to nonprofits.

j) **Debt Service,** including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Written policies and procedures were reviewed. The Board’s policies and procedures did not address credit and debit cards, ethics, and debt service, as the Entity does not utilize credit or debit cards, and ethics and debt service are not applicable to the Entity.*

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**Board (or Finance Committee, if applicable)**

2. Obtain and review the board/committee minutes for the fiscal period, and:

   a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, or other equivalent document.

   b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity’s prior audit (GAAP-basis).

      ➢ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

   c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*Board minutes for the fiscal period were examined. The Board met monthly, and a review of applicable financial information was made at each meeting. The Board minutes referenced non-budgetary financial information, including issues related to the land lease, in most meetings.*

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**Bank Reconciliations**

3. Obtain a listing of client bank accounts from management and management’s representation that the listing is complete.

*A listing of all bank accounts was obtained from management. During the fiscal period, the Entity had only one operating account, but this account was moved to a different bank during the fiscal period.*
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

a) Bank reconciliations have been prepared;

b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Bank statements and bank reconciliations for each month of the current fiscal period were examined. Reconciliations were prepared each month by the Board's external accountant, and all bank reconciliations were reviewed by the Board President. As of June 30, 2017, one check in the amount of $4,200 had been outstanding for more than 6 months, and no evidence to support research of this item was noted.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

The Entity's only collection point is the school office.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Cash collections are made by the school secretary, and cash deposits are made by the Principal. Neither of those individuals is responsible for or participates in the reconciliation of the bank account each month. The highest week of collections for the fiscal year was selected. For the week selected, the only sources of revenue deposited were funds from the Louisiana Department of Education for the charter school contract and for food service funds.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

The Entity provides written receipts for all cash collected by the office, including but not limited to, PTA funds, field trips, etc. The funds are collected by the secretary and provided to the principal for deposit as collected.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete.

The Entity’s general ledger was obtained and examined.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchases are initiated by school personnel, including teachers or staff. Those purchases are approved by the principal. Payment for purchases are made by the Board President after processing is completed by the external accountant. No exceptions were noted in the 25 disbursements examined.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity’s purchasing/disbursement system.

All purchases are approved by the principal and payment for those purchases is approved by the Board Director. No new vendors are paid without approval from both of these individuals.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

All purchases are approved by the principal and payment for those purchases is approved by the Board President. The Board’s external accountant prepares all payments for signature and includes applicable supporting documentation, such as invoices and packing slips, with the payment.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are stored at the office of the external accountant. No employees of the Entity have access to those checks. No blank check stock is used.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable, as a signature stamp or signature machine is not used.
14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete.

*Not applicable, as the Entity does not utilize credit cards, debit cards, fuel cards, or P-cards.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Not applicable, as the Entity does not utilize credit cards, debit cards, fuel cards, or P-cards.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:
   - An original itemized receipt (i.e., identifies precisely what was purchased)
   - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
   - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

b) For each transaction, compare the transaction’s detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity’s written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
c) For each transaction, compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable, as the Entity does not utilize credit cards, debit cards, fuel cards, or P-cards.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management’s representation that the listing or general ledger is complete.

The Entity’s general ledger was obtained and sorted for travel and expense reimbursements.

18. Obtain the entity’s written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Entity does not have written policies related to travel, as no travel expense has been incurred. Other expenses are reimbursed as incurred.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

b) Report whether each expense is supported by:
   - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
   - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
   - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The largest expense reimbursements for the three individuals selected were examined. For each reimbursement examined, the reimbursement was for expenses incurred at the school location and did not involve travel, lodging, or meals. Documentation to support the expense incurred was attached for each reimbursement examined and the business purpose for each was determined by an examination of the invoice or other documentation. No exceptions were noted. None of the reimbursements examined evidenced a loan, pledge, or donation of funds, credit, property, or things of value as defined above. For all three reimbursements examined, no evidence was noted of review or approval of the payment or supporting documentation.

**Contracts**

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.

The Entity’s general ledger was obtained and sorted for contract payments.

21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

   ➢ If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

   ➢ If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter)
For each of the five vendors selected, the original contracts were examined. For one of the vendors selected, no contract was available, as the technical services provided by the vendor are on an “as needed” basis. For one of the vendors selected, the original contract for cleaning and janitorial services was signed in October 2012 with an original term of 12 months, and then commencing on a month-to-month basis thereafter. For the remaining three vendors selected, contracts were signed during the current fiscal year. No contracts were amended during the current fiscal year. The largest payment under each contract was examined for supporting documentation and agreement with the contract terms and conditions. No exceptions were noted.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

   a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

   b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

A listing of employees and their related salaries was provided by the Entity. Compensation for five randomly selected employees was traced to employee contracts. No changes were made to any employee compensation during the fiscal year, but each employee’s compensation was adjusted at the end of the prior fiscal year. No exceptions were noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

   a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

   b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

   c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Attendance and leave records for all employees were examined for the pay period from November 25-December 11, 2016. Employee sign-in sheets were examined for each workday of the pay period. Leave information for applicable employees during that pay period were examined. Attendance and leave records were approved by the principal. No exceptions were noted.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management’s representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

   During the current fiscal period, four employees were terminated or resigned. No termination payments were made to any of these employees.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

   For the current fiscal period, all payroll is processed by Paychex, a national payroll servicing firm. As part of these services, Paychex pays, prepares, and files all payroll tax returns as required. No exceptions were noted. Retirement and benefit contributions were paid each month of the fiscal period.

**Ethics (excluding nonprofits)**

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

   Not applicable, as these requirements do not apply to nonprofit organizations

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

   Not applicable, as these requirements do not apply to nonprofit organizations.

**Debt Service (excluding nonprofits)**

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

   The Entity issued no debt during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

   The Entity had no outstanding debt during the fiscal period.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Entity had no tax millages relating to debt service during the fiscal period.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Entity has not posted on its premises or its website the required notice related to reporting of misappropriation, fraud, waste, or abuse of public funds.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions were observed, other than the lack of posting of the required notice concerning fraud (see procedure 32).

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.

William A. Meeder, CPA (CAPA)

Baton Rouge, Louisiana
December 28, 2017
December 21, 2017

William Mercer, CPA  
3535 S. Sherwood Forest Blvd Suite 201  
Baton Rouge, Louisiana 70816

The following are responses for questions from the December 19, 2017 audit.

1. The outstanding check to Louisiana State University in the amount of $4,200 was a temporary check that somehow got lost in the LSU accounting system. This temporary check #6 was voided and replaced with a printed check #5298 in the same amount on 8/8/17.

2. The itemized documentation for the all reimbursements are approved and submitted to bookkeeping along with supporting receipts. In the case of the 3 noted reimbursement request all contained proper supporting documents and received verbal approval but lacked signatures of the approving authority. This documentation can be provided upon request. We will going forward allow signing authority once approved to be granted to Mr. Robert (Operations Manager) in the absence of the Principal and require board approval of the Principal’s reimbursements to documented before checks are signed.

3. The required notice has since been posted in the employee lounge and the website is currently being updated with the Fraud Reporting Hotline link and instructions.

Thanks for help,

Eddie Greenup, Principal

Where every child is a STAR!