



Annual Financial Report

June 30, 2019

**New Millennium Secondary School**

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

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JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
New Millennium Secondary School  
(A California Nonprofit Public Benefit Corporation)  
Gardena, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Millennium Secondary School (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Charter School'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 Charter School's internal control. Accordingly, we express no such 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter School, 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***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's 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 the Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected at the top, and "LLP" written below them to the right.

Rancho Cucamonga, California  
November 13, 2019

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

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**ASSETS**

Current Assets		
Cash	\$ 621,583	
Accounts receivable	229,751	
Prepaid expenses	<u>20,785</u>	
Total Current Assets		\$ 872,119
Non-Current Assets		
Property and equipment	31,593	
Less: accumulated depreciation	<u>(31,277)</u>	
Total Non-Current Assets		316
Total Assets		<u>\$ 872,435</u>

**LIABILITIES**

Current Liabilities		
Accounts payable	\$ 9,012	
Current portion of Long-Term Obligation	<u>10,358</u>	
Total Current Liabilities		19,370
Long-Term Obligations		
Non-current portion of long-term obligations	39,177	
Total Liabilities		<u>\$ 58,547</u>

**NET ASSETS**

Without donor restrictions	<u>813,888</u>	
Total Net Assets		813,888
Total Liabilities and Net Assets		<u>\$ 872,435</u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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**REVENUES**

Local Control Funding Formula	\$ 1,856,499
Federal revenue	184,969
Other State revenue	235,813
Local revenues	165,893
Total Revenue	<u>2,443,174</u>

**FUNCTIONAL EXPENSES**

Program services	1,902,917
Management and general	334,611
Total Functional Expenses	<u>2,237,528</u>

**CHANGE IN NET ASSETS**

NET ASSETS, BEGINNING OF YEAR	205,646
NET ASSETS, END OF YEAR	<u>608,242</u>
	<u>\$ 813,888</u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 205,646
Adjustments to reconcile change in net assets to net cash used by operating activities	-
Depreciation expense	-
Changes in operating assets and liabilities	
Increase in accounts receivable	(143,062)
Increase in prepaid expenses	(14,668)
Decrease in accounts payable	(83,397)
Net Cash Used by Operating Activities	<u><u>(35,481)</u></u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loan principal payments	<u><u>(9,229)</u></u>
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<b>NET DECREASE IN CASH</b>	(44,710)
<b>CASH, BEGINNING OF YEAR</b>	<u><u>662,124</u></u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 617,414</u></u>

**Supplemental cash flow disclosure:**

Cash paid during the period for interest	<u><u>\$ 2,921</u></u>
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The accompanying notes are an integral part of these financial statements.

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Total Expenses
Personnel			
Salaries and wages	823,074	135,937	\$ 959,011
Employee benefits	244,331	20,659	264,990
Payroll taxes	136,360	-	136,360
Total Personnel	<u>1,203,765</u>	<u>156,596</u>	<u>1,360,361</u>
Operating			
Fees for services	184,317	80,816	265,133
Advertising and promotions	-	6,753	6,753
Office expenses	-	-	-
Information technology	52,971	-	52,971
Occupancy	115,555	18,558	134,113
Travel	-	993	993
Conferences and meeting	-	6,000	6,000
Interest	-	3,078	3,078
Depreciation	4,169	-	4,169
Insurance	-	22,256	22,256
Other expenses	72,925	21,004	93,929
Capital outlay	44,459	-	44,459
Special education	115,109	-	115,109
Instructional materials	32,955	-	32,955
Nutrition	76,692	-	76,692
District supervisory fee	-	18,557	18,557
Total Operating	<u>699,152</u>	<u>178,015</u>	<u>877,167</u>
Total Functional Expenses	<u><u>\$ 1,902,917</u></u>	<u><u>\$ 334,611</u></u>	<u><u>\$ 2,237,528</u></u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The New Millennium Secondary School (the Charter School) is a California Non-Profit Public Benefit Corporation. The Charter School petitioned for a charter through Los Angeles Unified School District and was approved on June 10, 2008 and renewed in 2018 for a period of five years ending in 2023.

Charter school number authorized by the State: 1020

The Charter School located on 1301 West 182<sup>nd</sup> Street, Gardena, California, 90248, opened on September 4, 2008, and currently serves 168 students in grades nine through twelve. The Charter School prepares students for success in the 21st century by providing a rigorous and relevant college-preparatory education that invests in talented human capital, utilizes cutting-edge technology, and strives to adapt public education to the "New Millennium".

**Other Related Entities**

**Joint Powers Agency and Risk Management Pools** - The Charter School is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter School. Additional information is presented in Note 12 to the financial statements.

**Cash**

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash.

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

**Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The Charter School review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other federal and state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

**Income Taxes**

The Charter School is a California nonprofit public benefit corporation that is exempt from income taxes under Section 501c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Charter School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Charter School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Charter School determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Charter School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Charter School's mission.

**Recent Accounting Pronouncements**

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Charter School for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

**Change in Accounting Principle**

As of July 1, 2018, the Charter School adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter School donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter School's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Charter School's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter School has elected not to present comparative information for these amendments.

The Charter School has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter School's financial reporting.

**Adjustments Resulting from Change in Accounting Principle**

As disclosed above, the Charter School adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter School's June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 608,242	\$ (608,242)	\$ -
Net assets without donor restrictions	-	608,242	608,242

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

Cash and cash equivalents	\$ 621,583
Accounts receivable and prepaid expenses	250,536
	<u><u>\$ 872,119</u></u>

**NOTE 3 - CASH**

Cash consists of the following at June 30, 2019:

	Reported Amount	Bank Balance
Deposits		
Cash on hand and in banks	<u><u>\$ 621,583</u></u>	<u><u>\$ 634,926</u></u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2019, the Charter School had \$384,926 in excess of FDIC insured limits.

***NOTE 4 - ACCOUNTS RECEIVABLE***

Accounts receivable consists of the following at June 30, 2019

Local Control Funding Formula	\$ 162,099
Federal	11,981
State	26,147
Lottery	23,148
Other local	6,376
Total Accounts Receivable	<u>\$ 229,751</u>

***NOTE 5 - PREPAID EXPENSES***

Prepaid expenses consists of the following at June 30, 2019:

Insurance and miscellaneous vendors	<u>\$ 20,785</u>
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***NOTE 6 - PROPERTY AND EQUIPMENT***

Property and equipment consists of the following at June 30, 2019:

Computer equipment	\$ 25,152
Furniture	6,441
Subtotal	<u>31,593</u>
Less: accumulated depreciation	(31,277)
Total Property and Equipment	<u>\$ 316</u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consists of the following at June 30, 2019:

Vendor payables	\$ <u>9,012</u>
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**NOTE 8 - LONG-TERM OBLIGATIONS**

On November 1, 2013, the Charter School acquired a promissory note to pay VCG-Southbay Pavillion, LLC \$50,000 with interest on the unpaid principal balance at the rate of four percent per annum. The principal amount and interest will be repaid in 120 equal monthly installments of \$506.

Future payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 5,187	\$ 888	\$ 6,075
2021	5,398	677	6,075
2022	5,618	457	6,075
2023	5,848	228	6,076
2024	2,505	25	2,530
Total	<u>\$ 24,556</u>	<u>\$ 2,275</u>	<u>\$ 26,831</u>

On December 1, 2013, the Charter School acquired a second promissory note to pay VCG-Southbay Pavillion, LLC \$50,000 with interest on the unpaid principal balance at the rate of four percent per annum. The principal amount and interest will be repaid in 120 equal monthly installments of \$506.

Future payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 5,171	\$ 905	\$ 6,076
2021	5,380	694	6,074
2022	5,599	475	6,074
2023	5,828	247	6,075
2024	3,001	35	3,036
Total	<u>\$ 24,979</u>	<u>\$ 2,356</u>	<u>\$ 27,335</u>

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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***NOTE 9 - OPERATING LEASE***

The Charter School entered into Prop 39 lease agreement with Los Angeles Unified School District located at 1301 West 182<sup>nd</sup> Street Gardena, California 90248. The Lease commencement date was July 1, 2013, and scheduled to expire June 30, 2019. The lease expense for 2018-2019 was \$130,922. No future payments are required.

***NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total actuarial value of assets are \$190.4 billion, the actuarial obligation is \$297.6 billion, contributions from all employers totaled \$4.7 billion, and the plan is 64.0 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

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**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

**Contributions**

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the Charter School's total contributions were \$111,273.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the Charter School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$131,579 (9.828 percent of salaries subject to CalSTRS). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019 appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**403(b) Tax Deferred Annuity Plan**

The Charter School also contributes to a classified employee 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Charter School's total contributions for the year ended June 30, 2019, were \$2,400.

**NOTE 12 - PARTICIPATION IN JOINT POWERS AUTHORITY**

The Charter School is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between The Charter School and the CharterSAFE is such that the CharterSAFE is not considered a component unit of the Charter School for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and the Charter School are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, the Charter School made payments of \$22,256 to CharterSAFE for services received. At June 30, 2019, the Charter School had no recorded accounts receivable or accounts payable to the CharterSAFE.

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

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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***NOTE 13 - CONTINGENCIES***

**Grants**

The Charter School has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

**Litigation**

The Charter School is not currently a party to any legal proceedings.

***NOTE 14 - SUBSEQUENT EVENTS***

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through November 13, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

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



## SUPPLEMENTARY INFORMATION

**NEW MILLENNIUM SECONDARY SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2019**

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**ORGANIZATION**

The New Millennium Secondary School (Charter Number 1020) was granted on June 10, 2008, by the Los Angeles Unified School District. The Charter School operates one high school.

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Betty Jo Coleman	Governance Chair	January 2020
Laura Guiterrez	Secretary	January 2020
Timothy Mozia	Member	August 2022
T.J Robinson	Member	August 2022
Joanne Zitelli	Member	January 2020

**ADMINISTRATION**

Nichole Sims	Chief Operating Officer
Samantha Navarro	Principal

See accompanying note to supplementary information.

**NEW MILLENNIUM SECONDARY SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**FOR THE YEAR ENDED JUNE 30, 2019**

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	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	<u>179.49</u>	<u>178.94</u>
Classroom based ADA		
Ninth through twelfth	<u>179.49</u>	<u>178.94</u>

The Charter School did not operate a Non-Classroom Based Instruction program.

See accompanying note to supplementary information.

# **NEW MILLENNIUM SECONDARY SCHOOL**

## **SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019**

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Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800	66,620	180	N/A	Complied
Grade 9		66,620	180	N/A	Complied
Grade 10		66,620	180	N/A	Complied
Grade 11		66,620	180	N/A	Complied
Grade 12		66,620	180	N/A	Complied

See accompanying note to supplementary information.

## **NEW MILLENNIUM SECONDARY SCHOOL**

### **RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

# **NEW MILLENNIUM SECONDARY SCHOOL**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### ***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

#### **Local Education Agency Organization Structure**

This schedule provides information about the school operated, members of the governing board, and members of the administration.

#### **Schedule of Average Daily Attendance**

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Los Angeles County Office of Education to the Charter School.

#### **Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Charter School must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

#### **Reconciliation of Annual Financial Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual Financial Report to the audited financial statements.



## **INDEPENDENT AUDITOR'S REPORTS**



**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***

Governing Board  
New Millennium Secondary School  
(A California Nonprofit Public Benefit Corporation)  
Gardena, California

We 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 New Millennium Secondary School (the Charter School) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eddie Baily, LLP". The signature is fluid and cursive, with "Eddie" and "Baily" connected by a single stroke, and "LLP" written separately at the end.

Rancho Cucamonga, California  
November 13, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
New Millennium Secondary School  
(A California Nonprofit Public Benefit Corporation)  
Gardena, California

### **Report on State Compliance**

We have audited New Millennium Secondary School's (the Charter School) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter School's State government programs as noted below for the year ended June 30, 2019.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Charter School's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

#### ***Unmodified Opinion***

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Charter School's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Charter School did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Charter School does not operate a before or after school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter School does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

The Charter School does not offer Nonclassroom-Based Instruction; therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Nonclassroom-Based Instruction.

The Charter School did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

A handwritten signature in black ink that reads "Eddie Saurly LCP". The signature is fluid and cursive, with "Eddie" and "Saurly" connected at the top, and "LCP" written below them in a smaller, more formal script.

Rancho Cucamonga, California  
November 13, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**NEW MILLENNIUM SECONDARY SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.