

To: Dr. Howard Fuller, Chairman, City of Milwaukee Charter Review Committee

Date: June 18, 2010

Re: Financial Probation Status of the Milwaukee Academy of Science (MAS)

Dr. Fuller:

We understand that the Charter School Review Committee intends to take up at its meeting of Monday, June 21 the matter of Milwaukee Academy of Science's 2008-09 financial audit. This memorandum addresses the specific measures that MAS has recently taken, and will continue to take, to assure that future audits conform fully to the Committee's expectations.

After learning of material weaknesses identified in MAS's 2007-08 financial audit, Keith Rogers, Executive Vice President of MAS, reviewed the auditor's findings in detail with Reilly, Penner and Benton (RPB), the accounting firm that manages all ledger entries and maintenance on behalf of MAS. At that time, RPB assured Mr. Rogers that proper procedures would be put in place to resolve the pertinent audit findings. Notwithstanding this assurance, the 2008-09 financial audit speaks clearly to the fact that suitable procedures were not, in fact, put in place before the audit commenced. Accordingly, certain findings of material weakness were repeated.

In early 2010, MAS's Finance Committee learned that the 2008-09 financial audit would repeat certain material weaknesses. On March 18, 2010, MAS's full Board of Directors--at the Finance Committee's direction, and after full discussion of the matter before the full Board--directed MAS's Executive Vice President to immediately contact RPB (i) to express MAS's distress at the repeated finding of material weakness and (ii) to develop a corrective action plan to ensure that no such findings would be repeated.

Aided by input from MAS's outside auditors, Jenkins and Vojtisek, the processes outlined below have been established, and will be put into place before commencement of work on the 2009-10 financial audit.

**Material Weaknesses identified and action plans:**

Donations and Pledges Receivable:

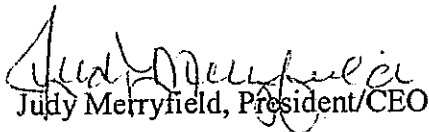
Since MAS (i) concluded a capital campaign at the end of the 2008-09 fiscal year and (ii) expects to retire all pledge commitments from this campaign before June 30, 2010, we do not expect any recurrence of an adverse finding with respect to pledged contributions. Nonetheless, MAS will, going forward, implement

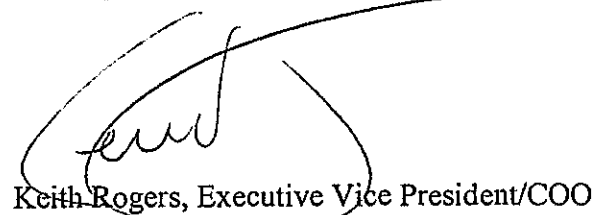
policies to ensure that the details of any future campaigns, and any related receivables, are clearly communicated to the accounting firm. Additionally, MAS and its outside accountants will implement a method of tracking collections on individual pledges and of properly recognizing such matters in a fashion that integrates into MAS's monthly financial statements.

### Adjusting Journal Entries

The school will implement procedures to ensure that this risk is kept to a minimum annually. MAS school management has worked closely with the accountants to review historical audit adjustments that were identified and have implemented a system of checks and balances to ensure that these are adjusted on an annual basis prior to audit fieldwork. In instances where it is deemed necessary to record adjustments on a more frequent basis (i.e. monthly) MAS management will do this as well. The school will also have the accountants review the individual account balances prior to audit in order to ensure that all account balances appear reasonable in the light of related facts and circumstances, and to ensure that any potential discrepancies in each account are identified prior to audit.

We fully endorse the conclusions of the Committee's Management Oversight Consultant, who found MAS to be in good financial position, with adequate procedures in place to ensure competent financial management. Nevertheless, MAS recognizes the audit findings, and the Committee's resulting concerns, and fully accepts responsibility for them. Accordingly, MAS's Board and executive leadership have forged the corrective action plan noted above. In addition, we are prepared to address, at Monday's meeting, any questions the Committee may have concerning the effectiveness of the corrective action plan.

  
Judy Merryfield, President/CEO

  
Keith Rogers, Executive Vice President/COO