

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
with Financial Scorecards
For the 2020-2021
Fiscal Year**

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To the Members of The City of Milwaukee
Charter School Review Committee

We have completed a review of the management function of the seven charter schools (Downtown Montessori Academy, Central City Cyberschool, DLH Academy, Milwaukee Academy of Science, Dr. Howard Fuller Collegiate Academy, Milwaukee Math and Science Academy and Escuela Verde), which have contracted with the City of Milwaukee for the 2020-2021 fiscal year, and have issued our report herein. This report is based on a review of and limited testing of the policies and procedures employed by each school. We have not performed an audit of these schools, however, we have performed sufficient procedures to get an adequate understanding of each school's management policies and procedures. Based on these procedures, we are issuing this report of each school's management activities.

We would like to thank the management of each charter school for their cooperation in our efforts to perform our management oversight services.

M.L. Tharps & Associates, LLC

January 11, 2022

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
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**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
Overview of Management Oversight Procedures**

M. L. Tharps & Associates (MLTA) developed procedures for reviewing both Charter Schools' management policies and procedures and their compliance with the City of Milwaukee contract. These procedures were developed based on the review of the contracts between the Charter Schools and the City of Milwaukee, the management oversight requirements outlined in the Request for Proposal, and conferences/discussions with the Charter School Review Committee and various City personnel. The procedures are as follows:

- a) MLTA has obtained an understanding of the school's financial processes and/or controls over significant financial systems.
- b) Monthly and quarterly financial reports submitted by the school were reviewed and analyzed to monitor the financial situation of the school on an ongoing basis.
- c) An annual site visit was conducted with management of each school including interviews and discussion of school management policies.
- d) Obtained a copy of the school's annual audit report. MLTA reviewed the report for propriety, noting any findings reported by the auditor, and that the report was in accordance with reporting standards. Financial results and financial position were reviewed to determine the school's ongoing financial propriety, along with comparison with prior years to determine upward or downward trends.
- e) If necessary, additional follow-up was conducted with schools where problems had been identified.

City of Milwaukee – Charter Schools Financial Scorecard Criteria and Scoring

Each school is provided with an annual financial scorecard, which rates the school using 4 criteria - Financial Condition, Financial Reporting & Contract Compliance, Internal Controls, and Sustainability. The following page provides an explanation of the categories and scoring system:

CATEGORY	OBJECTIVES	MAXIMUM SCORE
Financial Condition	<ul style="list-style-type: none"> - Liquidity - ability to pay bills on time - Budgetary Control - ability to control expenses achieve revenues to match expenses - Financial performance - Timely identify major financial events 	50
Financial Reporting & Contract Compliance	<ul style="list-style-type: none"> - Compliance with CSRC reporting requirements 	20
Internal Controls	<ul style="list-style-type: none"> - Internal controls report from auditor and consultant analysis - Timely identify major internal control issues 	20
Sustainability	<ul style="list-style-type: none"> - Long range plan of school - Long term financial health - Long term attractiveness (enrollment trends) 	10
TOTAL		<hr style="width: 100%; border: 0.5px solid black;"/> 100

Reports / Scorecards

Downtown Montessori Academy

Downtown Montessori Academy (DMA) was one of the two charter schools initially established by the City of Milwaukee in 1998. In addition to the charter school, DMA also operates a child care facility. The 2020-21 school year was DMA's twenty-third year of operation as a City of Milwaukee Charter school. Below is a summary of the financial results and financial contract compliance for the year ended June 30, 2021.

Current Year Financial Results

DMA, as it has over the past several years, has continued to show positive financial results in both the charter school and day care. The 2020-21 school year showed approximately revenues of \$3,141,000, or a 6.0% increase in revenues. Since 2014, the school has increased revenues steadily each year. In 2021, expenses decreased by approximately \$206,000, or a 7.7% decrease in expenses which when combined with the increase in revenues resulted in a large surplus. The school has consistently shown surpluses each year.

Per review of the year-end audited financial statements, DMA once again performed very well financially in the 2020-21 fiscal year. The school continues to show positive financial results.

The FY 2021 Fundraising Revenues were \$1,165 and Fundraising Expenses were \$18,528 compared to FY 2020 of \$36,691 and \$31,075, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	\$ 168,554	\$ 283,520	\$ 284,402	\$ 668,909
Revenues	\$2,638,428	\$2,836,864	\$2,963,314	\$3,141,344
Expenses	\$2,469,874	\$2,553,344	\$2,678,912	\$2,472,435
Surplus/(Deficit) as a % of Revenues	6%	10%	10%	21%

Current Financial Position

DMA's year-end cash position remained solid, with the school maintaining approximately \$1,223,000 in cash at year-end. As has been the case in prior years, there is no concern regarding the financial position of the school, as past experience indicates that they are very fiscally-minded and are well aware of their budget limitations. The ratio of cash and receivables to current liabilities (excluding notes payable) remains excellent at 3.45, showing a slight decrease from the prior year. Unrestricted net assets continue to increase and are 95% of yearly revenues as of June 30, 2021. The board has designated approximately \$304,000 of the unrestricted net assets for building improvements as well as additional programming costs.

The school currently has two long-term debt mortgage notes outstanding as of June 30, 2021. Each of these notes will be repaid over a 15 year period. As of June 30, 2021 the balance of those loans totaled \$938,000. The school also had a \$347,000 note payable in prior year from the

Payroll Protection Program (PPP) and the loan was forgiven by the Small Business Administration in January 2021, and was booked as revenue in current year.

Below is comparative summary of the indicators of the school's financial position over the last four years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$ 840,195	\$1,072,814	\$1,424,266	\$1,222,677
Accounts Receivable	\$ 95,490	\$ 108,122	\$ 90,449	\$ 159,364
Current Liabilities (Net of Current Portion LTD)	\$ 269,350	\$ 237,430	\$ 288,564	\$ 400,605
Total Liabilities	\$1,834,333	\$1,691,469	\$1,661,945	\$1,338,287
Restricted Net Assets	\$ 3,251	\$ 2,307	\$ 1,071	\$ 2,471
Unrestricted Net Assets	\$1,737,707	\$2,021,227	\$2,305,629	\$2,974,538
Current Assets to Current Liabilities Ratio	3.5 to 1	5.0 to 1	5.2 to 1	3.4 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	66%	71%	78%	95%

Review of Annual Audit

The annual audit for Downtown Montessori Academy for the fiscal year ended June 30, 2021 was completed as of October 29, 2021 by Walkowicz, Boczkiewicz & Co., S.C. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over the school's ability to continue as a going concern. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. DMA has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of management's policies, procedures, compliance and the annual audit of Downtown Montessori Academy, it appears the school has in place a solid financial management system. The school is in excellent financial condition, with a solid cash flow. Based on our review, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

DOWNTOWN MONTESSORI ACADEMY

Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	- Continued strong growth in school's net asset balance. - Several years of positive financial results. -3.5:1 current ratio. - Year-end cash and receivable balance of \$1,382,000 - Two property renovation notes payable
Financial Reporting & Contract Compliance (Maximum 20)	20	20	19	20	- All required monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings in last 7 audits
Sustainability (Maximum 10)	10	10	10	10	- Sustained enrollment. - Excellent financial position.
TOTAL	<u>95</u>	<u>95</u>	<u>94</u>	<u>95</u>	

Central City Cyberschool

Central City Cyberschool (CCC) was established as a charter school in 1999, and completed its twenty-second year of operations in 2021. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2021.

Current Year Financial Results

CCC revenues decreased by approximately \$189,000 in 2021, but had been consistent the prior seven years. This is primarily due to the school maintaining a consistent enrollment level. School operating expenses that had remained consistent in the prior years has decreased by \$406,000 as well.

Per review of the audited financial statements, the school once again had solid financial results for the 2020-21 fiscal year. CCC showed an increase in net assets of \$391,000 for the fiscal year. However, that increase is mainly due to the decrease in expenses. Cash flow continued to be excellent during the fiscal year as the school has significant accumulated assets from prior years.

The FY 2021 Fundraising Revenues were \$195,343 and Fundraising Expenses were \$126,155 compared to FY 2020 of \$13,000 and \$45,000, respectively

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	(\$ 202,675)	\$ 23,689	\$ 173,411	\$ 390,798
Revenues	\$4,304,859	\$4,792,740	\$5,220,137	\$5,031,079
Expenses	\$4,507,534	\$4,769,051	\$5,046,726	\$4,640,281
Surplus/(Deficit) as a Percentage of Revenues	(4.7%)	0.5%	3.3%	7.8%

Current Financial Position

CCC continues to be a very financially stable organization. The school maintains a year-end cash balance of approximately \$1,115,000. Although the school showed a deficit for 2017-18, the school maintains a solid unrestricted net asset balance of approximately \$3.2 million in 2020-21 after the current year surplus of \$390,798. The ratio of cash and receivables to current liabilities (excluding notes payable) is 5.7 to 1, up from 3.1 to 1 last year. Therefore, the school is maintaining a solid ratio.

The school received a Payroll Protection Program (PPP) loan in the amount of \$280,134 and the PPP amount due as of July 31, 2021 is \$280,134. The PPP loan was forgiven by the Small Business Administration on August 3, 2021

Below is comparative summary of three indicators of the school's financial position over the last four years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$ 396,469	\$ 320,780	\$ 624,440	\$1,114,965
Accounts Receivable	\$ 305,903	\$ 506,133	\$ 511,851	\$ 477,445
Current Liabilities (Net of Current Portion LTD)	\$ 442,426	\$ 448,890	\$ 368,659	\$ 281,673
Total Liabilities	\$ 550,194	\$ 504,160	\$ 648,793	\$ 636,219
Restricted Net Assets	\$ 0	\$ 37,000	\$ 0	\$ 0
Unrestricted Net Assets	\$2,564,602	\$2,588,291	\$2,761,702	\$3,152,500
Current Assets to Current Liabilities Ratio	1.6 to 1	1.8 to 1	3.1 to 1	5.7 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	60%	54%	53%	63%

Review of Annual Audit

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2021 was completed as of November 24, 2021 by Walkowicz, Boczkiewicz & Co., S.C. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over the school's ability to continue as a going concern. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

In response to the prior year finding, the school revised the procurement policy using the Wisconsin Association of School Business Officials Federal Funds Procurement Manual, and the policy was approved by DPI. The auditor cleared the finding in the current year.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. CCC has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of Central City Cyberschool as of the end of the school's fiscal year, July 31, 2021, the school continues to have a solid financial management system in place. The school is in very good financial condition, with good cash flow. Based on our review, the school is in compliance with the financial management provisions of its contract with the City of Milwaukee.

CENTRAL CITY CYBERSCHOOL

Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	- Strong net asset balance. -5.4:1 ratio of cash and receivables to payables. - \$3.2 million in unrestricted net assets. - Short-term debt (\$280,000) PPP obligation was forgiven August 2021 and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	19	19	18	20	- All monthly reports and audit provided on timely basis. -Prior year Audit finding regarding compliance with procurement requirements was corrected.
Internal Controls (Maximum 20)	17	17	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure.
Sustainability (Maximum 10)	10	10	10	10	- Sustained enrollment. - Excellent financial position.
TOTAL	<u>93</u>	<u>93</u>	<u>92</u>	<u>94</u>	

D.L. Hines College Preparatory Academy of Excellence (DLH Academy)

DLH Academy was established as a charter school in 2002 and has completed its 19th year of operations in 2021. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2021.

Current Year Financial Results

Prior to the last year, the school had a positive trend in surplus over the last several years, and again in 2021 DLH Academy had a surplus of \$359,000. DLH had shown surpluses in seven consecutive years prior to 2019, and plans to build on its positive financial position in future years. The current fiscal year resulted in a 26% increase in their unrestricted net asset balance. Revenue increased by almost \$232,000 and expenses also decreased by \$218,000 leaving a financially positive change in the unrestricted net asset balance.

Per review of the 2021 audited financial statements, the school showed an increase in unrestricted net assets of \$359,000 on revenues of \$2.87 million and expenses of \$2.5 million for the fiscal year. Cash flow was solid during the fiscal year. The school has a \$200,000 line of credit if needed for cash flow purposes.

The FY 2021 Fundraising Revenues were \$0 and Fundraising Expenses were \$169 compared to FY 2020 of \$5,837 and \$3,222, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	\$ 27,119	(\$ 17,623)	(\$ 90,581)	\$ 358,951
Revenues	\$3,314,395	\$2,828,794	\$2,641,932	\$2,873,448
Expenses	\$3,287,276	\$2,846,417	\$2,732,513	\$2,514,497
Surplus/(Deficit) as a Percentage of Revenues	.8%	(.6%)	(3%)	12.5%

Current Financial Position

DLH continues to have a very solid cash position, with year-end cash balances totaling approximately \$1.53 million. The ratio of cash and receivables to current liabilities (excluding notes payable) increased slightly to 16.3 to 1 compared to prior year at 12.7 to 1. The school had receivables of \$98,683. Current liabilities totaled \$100,423, thus resulting in the excellent ratio. The school had a \$257,907 note payable from the Payroll Protection Program with the Small Business Administration and the note was forgiven in January 2021. As mentioned above, the school maintains a \$200,000 line of credit for cash flow purposes, from which it occasionally draws, and there was no balance outstanding on this line of credit as of June 30, 2021.

Below is comparative summary of three indicators of the school's financial position over the last four years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$1,257,755	\$1,271,650	\$1,559,622	\$1,534,689
Accounts Receivable	\$ 75,664	\$ 96,006	\$ 38,535	\$ 98,683
Current Liabilities (Net of Current Portion LTD)	\$ 131,273	\$ 115,559	\$ 126,145	\$ 100,423
Total Liabilities	\$ 131,273	\$ 115,559	\$ 384,052	\$ 142,376
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$1,476,495	\$1,458,872	\$1,368,291	\$1,727,242
Current Assets to Current Liabilities Ratio	10.2 to 1	11.8 to 1	12.7 to 1	16.3 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	45%	52%	52%	60%

Review of Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2021 was completed as of August 24, 2021 by the firm Ritz Holman LLP. The audit was submitted timely in accordance with the submission deadline. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over DLH's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. DLH Academy has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the DLH Academy, it appears that the school continues to have solid procedures in place to ensure a sufficient financial management system. As of June 30, 2021, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

D.L. HINES COLLEGE PREPARATORY ACADEMY OF EXCELLENCE

Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	- A \$358,000 surplus this year and has shown several consecutive years of surpluses prior to two years ago's deficit. - 16.3:1 current ratio is excellent. - Small Capital Lease Liability and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	- All required monthly reports received - Audit completed on timely basis.
Internal Controls (Maximum 20)	16	17	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings.
Sustainability (Maximum 10)	10	10	10	10	- Sustained enrollment levels - Good financial position
TOTAL	<u>94</u>	<u>95</u>	<u>95</u>	<u>95</u>	

Milwaukee Academy of Science

The Milwaukee Academy of Science (MAS) was established as a charter school in 2000 under a charter with the University of Wisconsin-Milwaukee. In 2008, the school switched its chartering authority to the City of Milwaukee. MAS completed its twenty-first year of operations in 2021. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2021.

Current Year Financial Results

MAS showed another significant increase in net assets for the 2021 fiscal year. For the year, the school showed an increase in unrestricted net assets of approximately \$2.4 million compared to \$788,000 in the prior year. Total unrestricted revenue increased by \$2,043,000, while expenses increased slightly by \$406,000.

The school is maintaining a healthy net asset balance and solid cash flow position.

The FY 2021 Fundraising Revenues were \$1,790,548 and Fundraising Expenses were \$411,293 compared to FY 2020 of \$132,927 and \$35,160, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	\$ 520,245	(\$ 6,226)	\$ 787,679	\$ 2,424,803
Revenues	\$11,387,781	\$11,796,148	\$13,432,988	\$15,475,644
Expenses	\$10,867,536	\$11,802,374	\$12,645,309	\$13,050,841
Surplus/(Deficit) as a Percentage of Revenues	5%	(0.1%)	6%	15.7%

Current Financial Position

Currently, the school has unrestricted net assets of \$6.0 million, a very solid cash flow position. The ratio of cash and receivables to current liabilities (excluding notes payable) is consistent at 4.95 to 1 compared to 5.03 to 1 in the prior year. Year-end operating cash balances totaled approximately \$7.7 million, and the school had receivables including promises to give from donors of \$804,000. Current liabilities other than current debt service total \$1,727,000, thus resulting in the favorable ratio. The school has a \$250,000 line of credit available, but due to its favorable cash position, they did not use the line during 2020-21. The school did not receive a Payroll Protection Program (PPP) loan.

In November 2013, the Redevelopment Authority of the City of Milwaukee refinanced bonds in the amount of approximately \$11.7 million, which was loaned to the school to purchase, rehabilitate and equip the elementary and high school. This refinanced debt is to be repaid over a 30-year period. The balance of this loan is \$10.5 million as of June 30, 2021. In addition, as part of the loan covenant, the school is required to maintain cash and investments in a Debt Service Reserve Fund, and a Repair and Replacement Fund. Total cash in these restricted

accounts totaled \$1.74 million on June 30, 2021. This balance is in addition to the operating cash of \$7.7 million noted above.

Below is comparative summary of three indicators of the school's financial position over the last four years:

	2018	2019	2020	2021
Cash	\$ 3,457,401	\$ 4,445,163	\$ 4,639,754	\$ 7,748,283
Accounts Receivable	\$ 922,314	\$ 397,972	\$ 254,131	\$ 804,006
Current Liabilities (Net of Current Portion LTD)	\$ 861,204	\$ 1,255,296	\$ 972,892	\$ 1,726,697
Total Liabilities	\$11,608,548	\$11,809,476	\$11,323,908	\$11,819,549
Restricted Net Assets	\$ 604,447	\$ 620,619	\$ 443,059	\$ 1,465,199
Unrestricted Net Assets	\$ 2,550,947	\$ 2,544,721	\$ 3,536,998	\$ 5,961,801
Current Assets to Current Liabilities Ratio	5.09 to 1	3.86 to 1	5.03 to 1	4.95 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	22%	22%	26%	39%

Review of Annual Audit

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2021 was completed October 25, 2021 by the firm Wipfli LLP. The audit was submitted timely in accordance with the submission deadline. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over MAS's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. MAS has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the Milwaukee Academy of Science as of June 30, 2021, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school has an excellent financial position with an excellent ratio of cash and receivables to liabilities as well as an excellent unrestricted net asset balance. As of June 30, 2021, the school appears to be compliance with the financial management provisions of its contract with the City of Milwaukee.

MILWAUKEE ACADEMY OF SCIENCE

Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	47	45	47	47	<ul style="list-style-type: none"> - Maintaining a steady strong net asset balance over past several years. - 5.0:1 ratio of cash and receivables to current payables other than long-term debt. - \$6.0 million in unrestricted net assets. - \$9.9 million in long-term debt, but no issues making debt service payments.
Financial Reporting & Contract Compliance (Maximum 20)	20	17	16	18	<ul style="list-style-type: none"> - All required monthly reports received on a timely basis. - Audit completed on timely basis.
Internal Controls (Maximum 20)	19	17	15	19	<ul style="list-style-type: none"> - The school has implemented a very solid structure. - No audit findings. - All findings that lowered score in PY, have been corrected.
Sustainability (Maximum 10)	10	10	10	10	<ul style="list-style-type: none"> - School has sustained enrollment - Excellent financial position.
TOTAL	96	89	88	94	

Dr. Howard Fuller Collegiate Academy

The Milwaukee Collegiate Academy (MCA) was established as a City of Milwaukee charter school in 2011 after previously operating as a Milwaukee Parental Choice Program school. 2020-21 was the school's tenth year as a City of Milwaukee charter school and the third operating year the school was renamed Dr. Howard Fuller Collegiate Academy. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2021.

Current Year Financial Results

The school, after several years of mixed results, showed another significant surplus for FY 2021 as did in FY 2018 through FY 2020. For the year, the school posted revenues of \$4.5 million, up from \$4.4 million in the prior year. Also, expenses increased slightly by \$37,000 to \$4.3 million, resulting in the positive financial results. The school continues to receive significant outside contributions.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$238,000. The school currently has an unrestricted net asset balance of \$1,303,000. Unrestricted net assets have gone from \$750,000 to \$1,303,000 in the past four years.

The FY 2021 Fundraising Revenues were \$493,831 and Fundraising Expenses were \$82,139 compared to FY 2020 of \$0 and \$1,466, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	\$ 239,273	\$ 117,731	\$ 197,865	\$ 237,670
Revenues	\$3,838,046	\$3,985,259	\$4,414,500	\$4,491,420
Expenses	\$3,599,412	\$3,867,528	\$4,216,635	\$4,253,750
Surplus/(Deficit) as a Percentage of Revenues	6.2%	3%	4.5%	5.3%

Current Financial Position

Dr. Howard Fuller Collegiate Academy has dramatically improved its financial position over recent fiscal years. The ratio of cash and receivables to current liabilities (excluding notes payable) remains excellent at 153 to 1 compared to 144 to 1 in the prior year. Year-end cash balances totaled \$1,529,000, and the school had receivables of \$166,000. Current liabilities totaled only \$11,000, resulting in the favorable ratio. The school was granted a note payable from the Payroll Protection Program (PPP) for \$465,700. The PPP loan was forgiven by the Small Business Administration in August 2021. The school has a solid financial position as of June 30, 2021.

Below is comparative summary of three indicators of the school's financial position over the last four years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$ 586,277	\$1,008,638	\$1,659,502	\$1,529,110
Accounts Receivable	\$ 310,520	\$ 176,144	\$ 139,617	\$ 165,591
Current Liabilities (Net of Current Portion LTD)	\$ 31,949	\$ 33,644	\$ 12,455	\$ 11,081
Total Liabilities	\$ 36,578	\$ 35,050	\$ 478,155	\$ 52,148
Restricted Net Assets	\$ 139,618	\$ 288,150	\$1,239,888	\$1,369,574
Unrestricted Net Assets	\$ 750,136	\$ 867,867	\$1,065,732	\$1,303,402
Current Assets to Current Liabilities Ratio	28.0 to 1	35.0 to 1	144.0 to 1	153.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	20%	22%	24%	29%

Review of Annual Audit

The annual audit for Dr. Howard Fuller Collegiate Academy for the fiscal year ended June 30, 2021 was completed as of October 29, 2021 by the firm Ritz Holman LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor. The auditor expressed no issues over the organization's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. Dr. Howard Fuller Collegiate Academy has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the Dr. Howard Fuller Collegiate Academy as of June 30, 2021, it appears that the organization is taking the steps to ensure a sufficient financial management system. The school appears to still be in solid financial position after its ninth year following its transition to a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

DR. HOWARD FULLER COLLEGIATE ACADEMY**Financial Scorecard**

<u>SCORING CRITERIA</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>COMMENTS</u>
Financial Condition (Maximum 50)	45	44	46	47	- Strong net asset balance. - Very strong ratio of cash and receivables to payables. - \$1.3 million in unrestricted net assets. - \$41,000 Capital Lease obligation and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	20	17	18	20	- All required monthly reports received on a timely basis - Audit was completed on timely basis.
Internal Controls (Maximum 20)	17	14	16	17	- Small size of the organization precludes an ideal internal control structure. - No audit findings
Sustainability (Maximum 10)	9	9	9	9	- Continued growth in enrollment with new facility - Solid financial position with a base to solicit significant contributions.
TOTAL	<u>91</u>	<u>84</u>	<u>89</u>	<u>93</u>	

Milwaukee Math and Science Academy

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2020-21 was the school's tenth year as a City of Milwaukee charter school. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2021.

Current Year Financial Results

After showing deficits in the prior three fiscal years, MMSA showed a solid surplus in the 2020-21 fiscal year. The school has made a location change in addition to the management change and it appears to be positive in regards to the future. Over the past several years, MMSA has been operating on a break even basis, maintaining its solid financial position. However, FY 2021 revenue increased and expense decreased each by approximately \$300,000. The enrollment is a trend that should be watched by the school. The change in the management team to Maestro Education LLC, was a large part of the expense change.

Per review of the annual audit, the school showed a large increase of \$592,000 in unrestricted net assets for the year from \$2.9 million of revenues and expenses of \$2.3 million.

The FY 2021 Fundraising Revenues were \$0 and Fundraising Expenses were \$0 compared to FY 2020 of \$130 and \$0, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	(\$ 100,672)	(\$ 262,237)	(\$ 18,120)	\$ 592,306
Revenues	\$3,296,155	\$3,208,999	\$2,607,416	\$2,917,478
Expenses	\$3,396,827	\$3,471,236	\$2,625,536	\$2,325,172
Surplus/(Deficit) as a Percentage of Revenues	(3%)	(8%)	(0.7%)	20.3%

Current Financial Position

After its tenth year of operations, the school has accumulated an unrestricted net asset balance of \$788,000. MMSA has a solid cash flow position and the ratio of cash and receivables to current liabilities (excluding notes payable) increased to 7.0 to 1 compared to the 1.8 to 1 in prior year. Year-end cash balances totaled approximately \$680,000, and the school had receivables of \$262,000. Current liabilities total \$134,000, resulting in the favorable ratio that is increasing. MMSA no longer has outstanding debt obligation with Concept Schools as it was paid FY 2021. There is no Payroll Protection Program (PPP) loan for the school.

Below is comparative summary of three indicators of the school's financial position over the last four years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$ 437,054	\$ 353,260	\$ 331,731	\$ 680,433
Accounts Receivable	\$ 148,177	\$ 45,245	\$ 70,114	\$ 261,652
Current Liabilities (Net of Current Portion LTD)	\$ 241,194	\$ 293,902	\$ 220,608	\$ 134,190
Total Liabilities	\$ 241,194	\$ 293,902	\$ 279,612	\$ 377,140
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 476,494	\$ 214,257	\$ 196,137	\$ 788,443
Current Assets to Current Liabilities Ratio	2.4 to 1	1.4 to 1	1.8 to 1	7.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	14%	7%	8%	27%

Review of Annual Audit

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2021 was completed as of October 25, 2021 by the firm Ritz Holman LLP. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over the school's ability to continue as a going concern. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. MMSA has complied with those reporting requirements for the 2020-2021 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the Milwaukee Math and Science Academy as of June 30, 2021, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school continues to be in a solid financial position as a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

MILWAUKEE MATH AND SCIENCE ACADEMY

Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	45	44	43	45	- 7.0:1 ratio of cash and receivables to payables other than debt service, increase over prior year (1.8:1) - No debt except \$6,600 Capital Lease obligation and PPP Deferred Revenue of \$236,300. - Surplus in FY 2021 of \$592,300 - Increasing revenue
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	- All required monthly reports received on a timely basis - Audit completed on timely basis.
Internal Controls (Maximum 20)	16	18	18	18	- Solid internal controls in place. - Finances handled from corporate offices in Chicago - No audit findings.
Sustainability (Maximum 10)	9	9	7	9	- Solid financial position - Increasing enrollment count and decrease to expenses.
TOTAL	90	91	88	92	

Escuela Verde

Escuela Verde completed its ninth year of operations as a City of Milwaukee charter school in 2020-21. Escuela Verde is an arm of the Trans Center for Youth, Inc., which is comprised of three other entities; Shalom High School, Northwest Opportunities Vocational Academy and El Puente High School. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2021.

Current Year Financial Results

In its ninth year of operations, Escuela Verde, once again, was able to achieve very good financial results. Even with a relatively low enrollment, the school again showed a solid surplus. Grant and per-pupil revenue for the 2020-21 fiscal year are almost \$1.6 million, and the school was able to manage expenses to show another surplus year.

Per review of the annual audit, the school showed an unrestricted surplus of \$100,621, on revenues of \$1.6 million and expenses of \$1.5 million.

The Trans Center for Youth FY 2021 Fundraising Revenues were \$96,124 and Fundraising Expenses were \$8,327 compared to FY 2020 of \$0 and \$6,549, respectively.

Below is a comparative summary of the school's financial results over the last four fiscal years:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus / (Deficit)	\$ 64,719	\$ 32,744	\$ 119,498	\$ 100,621
Revenues	\$1,212,665	\$1,359,080	\$1,540,647	\$1,591,234
Expenses	\$1,147,946	\$1,326,336	\$1,421,149	\$1,490,613
Surplus/(Deficit) as a Percentage of Revenues	5%	2%	8%	6%

Current Financial Position

After its ninth year of operations, the school has accumulated net assets of \$733,000, and maintains a solid balance sheet. Calculations of cash and receivables to current liabilities (except notes payable) are using the Tran Center for Youth and has increased to 22.2 to 1 from 13.0 to 1 the prior year. The Trans Center for Youth's year-end cash and receivables balances totaled approximately \$1,487,000. Current liabilities totaled only \$67,000, thus resulting in the favorable ratio. The organization had a Payroll Protection Program (PPP) advance of \$519,400 and was forgiven by the Small Business Administration in 2021

As the school is part of the Trans Center for Youth, Inc., it is important to look at the financial position of the organization as a whole. In reviewing the audit for the whole organization, the organization is showing a solid financial position as of June 30, 2021.

Below is comparative summary of three indicators of the school's financial position over the last four years:

	2018	2019	2020	2021
Cash – Trans Center	\$ 452,385	\$ 278,555	\$ 963,300	\$1,243,134
Accounts Receivable – Trans Center	\$ 125,036	\$ 234,625	\$ 250,777	\$ 243,776
Current Liabilities (Net of Current Portion LTD) – Trans Center	\$ 15,510	\$ 92,641	\$ 93,198	\$ 66,864
Total Liabilities – Trans Center	\$1,422,053	\$1,422,574	\$1,384,087	\$1,328,114
Restricted Net Assets - EV	\$ 0	\$ 0	\$ 632,702	\$ 459,668
Unrestricted Net Assets - EV	\$ 480,460	\$ 513,204	\$ 0	\$ 273,655
Current Assets to Current Liabilities Ratio - EV	*	*	*	*
Net Assets as Percentage of Yearly Revenues - EV	40%	38%	41%	46%

* - School has almost no liabilities resulting in a ratio that's not useful for comparison purposes.
EV – Escuela Verde

Review of Annual Audit

The annual audit for the Escuela Verde and the Trans Center for Youth, Inc. for the fiscal year ended June 30, 2021 was completed as of September 29, 2021 by the firm Ritz Holman LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor related to Escuela Verde, and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards. The auditor expressed no issues over the school's ability to continue as a going concern.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. Escuela Verde has complied with those reporting requirements for the 2020-21 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of Escuela Verde and the Trans Center for Youth, Inc. as of June 30, 2021, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school and organization as a whole appear to be in a good financial position. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

ESCUELA VERDE
Financial Scorecard

SCORING CRITERIA	2018	2019	2020	2021	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	- Good financial position after ninth year of operations. - Operating organization (Trans Center for Youth, Inc.) as a whole has very good financial position. - Trans Center for Youth, Inc. has a Loan Payable of \$1,239,000 and a Capital Lease of \$22,200. There is no outstanding line of credit balance. -\$519,400 PPP loan forgiven November 2020.
Financial Reporting & Contract Compliance (Maximum 20)	17	20	20	20	- All required monthly reports received on a timely basis. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	- Good internal controls in place - No audit findings.
Sustainability (Maximum 10)	10	10	10	10	- School shows continued growth. - Operating organization has solid financial results
TOTAL	91	94	94	94	