

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
with Financial Scorecards
For the 2021-2022
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 2021-2022 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 on 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 13, 2023

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**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 the management of each school including interviews and discussion of school management policies and attended one school Board of Directors meeting.
- 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.

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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 school 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

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Reports / Scorecards

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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 childcare facility. The 2021-22 school year was DMA's twenty-fourth 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, 2022.

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 2021-22 school year showed approximately revenues of \$2,797,000, or a \$345,000 (17.5%) decrease in revenues. Since 2014, the school had increased revenues steadily each year. A decrease in enrollment of 34 students accounts for most of the shortfall in FY 2022. In 2022, expenses increased by approximately \$124,000, or a 5.0% increase in expenses, which when combined with the decrease in revenues resulted in an approximate surplus of \$200,000; but a (70.0%) decrease from FY 2021. The school has consistently shown surpluses each year but the decrease in enrollment is a factor to be watched.

Per review of the year-end audited financial statements, DMA once again, even with decreased enrollment, performed very well financially in the 2021-22 fiscal year. The school continues to show positive financial results.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$11,803 compared to FY 2021 of \$9,408.

Pupil Membership Counts for September and January for FY 2022 were 229 and 235 respectively, compared to FY 2021 of 277 and 269.

DMA did not have any Restricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$27,388 and \$1,165 for FY 2022 and FY 2021 and Unrestricted Expenses were \$13,519 and \$18,528, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	\$ 283,520	\$ 284,402	\$ 668,909	\$ 199,931
Revenues	\$2,836,864	\$2,963,314	\$3,141,344	\$2,796,526
Expenses	\$2,553,344	\$2,678,912	\$2,472,435	\$2,596,595
Surplus/(Deficit) as a % of Revenues	10%	10%	21%	7%

Current Financial Position

DMA's year-end cash position remained solid, with the school maintaining approximately \$1,070,000 in cash at year-end. As has been the case in prior years, there is no concern regarding the financial position of the school. Past experience indicates that they are very fiscally

mindful and are well aware of their budget limitations. The ratio of cash and receivables to current liabilities (excluding notes payable) remains excellent at 4.23, showing a slight increase from the prior year. Unrestricted net assets continue to increase and are 114% of yearly revenues as of June 30, 2022. 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 three long-term debt mortgage notes outstanding as of June 30, 2022. Each of these notes will be repaid over a 15 year period. As of June 30, 2022, the balance of those loans totaled \$3,839,000. The school has a new \$2,995,000 note payable in current year to finance addition and renovation of the properties at 2523-2531 S. Graham Street, Milwaukee.

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

	2019	2020	2021	2022
Cash	\$1,072,814	\$1,424,266	\$1,222,677	\$1,070,170
Accounts Receivable	\$ 108,122	\$ 90,449	\$ 159,364	\$ 151,469
Current Liabilities (Net of Current Portion LTD)	\$ 237,430	\$ 288,564	\$ 400,605	\$ 289,023
Total Liabilities	\$1,691,469	\$1,661,945	\$1,338,287	\$4,100,477
Restricted Net Assets	\$ 2,307	\$ 1,071	\$ 2,471	\$ 5,045
Unrestricted Net Assets	\$2,021,227	\$2,305,629	\$2,974,538	\$3,174,469
Current Assets to Current Liabilities Ratio	5.0 to 1	5.2 to 1	3.4 to 1	4.2 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	71%	78%	95%	114%

Review of Annual Audit

The annual audit for Downtown Montessori Academy for the fiscal year ended June 30, 2022 was completed as of October 31, 2022 by Walkowicz, Boczkiewicz & Co., S.C. 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 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 2021-22 school year.

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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.

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DOWNTOWN MONTESSORI ACADEMY
Financial Scorecard

SCORING CRITERIA	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	<ul style="list-style-type: none"> - Continued strong growth in school's net asset balance. - Several years of positive financial results. -4.23 current ratio. - Year-end cash and receivable balance of \$1,222,000 - Three property renovation notes payable
Financial Reporting & Contract Compliance (Maximum 20)	20	19	20	20	<ul style="list-style-type: none"> - All required monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	18	<ul style="list-style-type: none"> - Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings in last 10 audits
Sustainability (Maximum 10)	10	10	10	10	<ul style="list-style-type: none"> - Slight decrease in enrollment. - Excellent financial position.
TOTAL	95	94	95	96	

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Central City Cyberschool

Central City Cyberschool (CCC) was established as a charter school in 1999 and completed its twenty-third year of operations in 2022. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2022.

Current Year Financial Results

CCC revenues increased by approximately \$881,000 in 2022 and had been consistent the prior eight years except for a slight decrease in the prior year. The increase is primarily due to an increase in DPI Other Revenue and PPP loan forgiveness. The school maintains a consistent enrollment level. School operating expenses had remained consistent in the prior years and this year has increased by \$855,000 as did revenues increase comparably.

Per review of the audited financial statements, the school once again had solid financial results for the 2021-22 fiscal year. CCC showed an increase in net assets of \$351,000 for the fiscal year. The increase is mainly due to the increase in expenses staying consistent with revenue trend. Cash flow continued to be excellent during the fiscal year as the school has significant accumulated assets from prior years.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$13,705 compared to FY 2021 of \$11,339.

Pupil Membership Counts for September and January for FY 2022 were 426 and 416 respectively, compared to FY 2021 of 428 and 419.

Restricted Fundraising: The Restricted Fundraising Revenues were \$150,000 and \$0 for FY 2022 and FY 2021 and Restricted Fundraising Expenses were \$0 and \$0, respectively.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$40,050 and \$195,343 for FY 2022 and FY 2021 and Unrestricted Expenses were \$128,774 and \$126,155, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	\$ 23,689	\$ 173,411	\$ 390,798	\$ 350,684
Revenues	\$4,792,740	\$5,220,137	\$5,031,079	\$5,912,039
Expenses	\$4,769,051	\$5,046,726	\$4,640,281	\$5,561,355
Surplus/(Deficit) as a Percentage of Revenues	0.5%	3.3%	7.8%	5.9%

Current Financial Position

CCC continues to be a very financially stable organization. The school maintains a year-end cash balance of approximately \$816,000. The school maintains a solid unrestricted net asset balance of approximately \$3.4 million in 2021-22 after the current year surplus of \$351,000. The ratio of cash and receivables to current liabilities (excluding notes payable) is 6.2 to 1, up from 5.7 to 1 last year. Therefore, the school is maintaining a solid ratio.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash	\$ 320,780	\$ 624,440	\$1,114,965	\$ 815,868
Accounts Receivable	\$ 506,133	\$ 511,851	\$ 477,445	\$ 1,043,923
Current Liabilities (Net of Current Portion LTD)	\$ 448,890	\$ 368,659	\$ 281,673	\$ 299,243
Total Liabilities	\$ 504,160	\$ 648,793	\$ 636,219	\$ 361,297
Restricted Net Assets	\$ 37,000	\$ 0	\$ 0	\$ 150,000
Unrestricted Net Assets	\$2,588,291	\$2,761,702	\$3,152,500	\$3,398,123
Current Assets to Current Liabilities Ratio	1.8 to 1	3.1 to 1	5.7 to 1	6.2 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	54%	53%	63%	57%

Review of Annual Audit

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2022 was completed as of November 29, 2022 by Walkowicz, Boczkiewicz & Co., S.C. The audit was submitted timely in accordance with the submission deadline. Per review of the report, there were no significant financial statement findings noted. The auditor noted an internal control and compliance material weakness issue that no verification of the number of breakfast and lunch meals were matched to the monthly vendor invoice. A corrective action plan has been established by the school. A report by meal has been established and is traced to the invoice by date. 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. CCC has complied with those reporting requirements for the 2021-22 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, 2022, 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	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	- Strong net asset balance. -6.2:1 ratio of cash and receivables to payables. - \$3.4 million in unrestricted net assets. - No outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	19	18	20	20	- All monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	16	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - Audit finding reported on internal control weakness on compliance on major federal program: lack of verification of quantity of meals. Internal controls have been established.
Sustainability (Maximum 10)	10	10	10	10	-Sustained enrollment. - Excellent financial position.
TOTAL	93	92	94	93	

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

DLH Academy was established as a charter school in 2002 and has completed its 20th year of operations in 2022. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2022.

Current Year Financial Results

The school had a surplus in prior year, and DLH Academy had another positive year in 2022. DLH plans to build on its positive financial position in future years. Pupil count went down slightly from prior year due to both enrollment decrease and lack of teachers. Revenue increased by a slight \$70,000 and expenses also increased by almost \$318,000 but still leaving a financially positive change in the unrestricted net asset balance.

Per review of the 2022 audited financial statements, the school showed an increase in unrestricted net assets of \$111,000 on revenues of \$2.94 million and expenses of \$2.83 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 Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$15,206 compared to FY 2021 of \$11,430.

Pupil Membership Counts for September and January for FY 2022 were 201 and 198 respectively, compared to FY 2021 of 226 and 223.

DLH did not have any Restricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$60 and \$0 for FY 2022 and FY 2021 and Unrestricted Expenses were \$190 and \$169, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	(\$ 17,623)	(\$ 90,581)	\$ 358,951	\$ 111,338
Revenues	\$2,828,794	\$2,641,932	\$2,873,448	\$2,943,402
Expenses	\$2,846,417	\$2,732,513	\$2,514,497	\$2,832,064
Surplus/(Deficit) as a Percentage of Revenues	(.6%)	(3%)	12.5%	3.8%

Current Financial Position

DLH continues to have a very solid cash position, with year-end cash balances totaling approximately \$1.6 million. The ratio of cash and receivables to current liabilities (excluding notes payable) decreased slightly to 13.6 to 1 compared to prior year at 16.3 to 1. The school had receivables of \$189,285. Current liabilities totaled \$132,036, thus resulting in the excellent ratio. 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, 2022.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash	\$1,271,650	\$1,559,622	\$1,534,689	\$1,602,057
Accounts Receivable	\$ 96,006	\$ 38,535	\$ 98,683	\$ 189,285
Current Liabilities (Net of Current Portion LTD)	\$ 115,559	\$ 126,145	\$ 100,423	\$ 132,036
Total Liabilities	\$ 115,559	\$ 384,052	\$ 142,376	\$ 167,623
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 12,387
Unrestricted Net Assets	\$1,458,872	\$1,368,291	\$1,727,242	\$1,838,580
Current Assets to Current Liabilities Ratio	11.8 to 1	12.7 to 1	16.3 to 1	13.6 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	52%	52%	60%	62%

Review of Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2022 was completed as of September 22, 2022 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 2021-22 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, 2022, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

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D.L. HINES COLLEGE PREPARATORY ACADEMY OF EXCELLENCE

Financial Scorecard

SCORING CRITERIA	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	- A \$111,000 surplus this year and has shown several consecutive years of surpluses prior to two years ago deficit. - 14.0:1 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 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.
Sustainability (Maximum 10)	10	10	10	10	- Slight decrease in enrollment levels - Good financial position
TOTAL	<u>95</u>	<u>95</u>	<u>95</u>	<u>95</u>	

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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-second year of operations in 2022. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2022.

Current Year Financial Results

MAS showed another significant increase in net assets for the 2022 fiscal year. For the year, the school showed an increase in unrestricted net assets of approximately \$2.6 million compared to \$2.4 million in the prior year. Total unrestricted revenue increased by \$3,825,000 (includes Net Assets released from restrictions of \$1.6 million), while expenses increased comparably by \$3,650,000.

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

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$12,990 compared to FY 2021 of \$10,678.

Pupil Membership Counts for September and January for FY 2022 were 1,351 and 1,285 respectively, compared to FY 2021 of 1,266 and 1,242.

MAS did not have any Restricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$222,688 and \$1,790,548 for FY 2022 and FY 2021 and Unrestricted Expenses were \$247,327 and \$411,293, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	(\$ 6,226)	\$ 787,679	\$ 2,424,803	\$ 2,600,179
Revenues	\$11,796,148	\$13,432,988	\$15,475,644	\$19,300,586
Expenses	\$11,802,374	\$12,645,309	\$13,050,841	\$16,700,407
Surplus/(Deficit) as a Percentage of Revenues	(0.1%)	6%	15.7%	13.5%

Current Financial Position

Currently, the school has unrestricted net assets of \$8.56 million, a very solid cash flow position. The ratio of cash and receivables to current liabilities (excluding notes payable) is consistent at 5.92 to 1 compared to 4.95 to 1 in the prior year. Year-end operating cash balances totaled approximately \$6.3 million, and the school had receivables including promises to give from donors of \$1.08 million. Current liabilities other than current debt service total \$1.25 million,

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 2021-22.

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 \$10.3 million as of June 30, 2022. 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 \$1.76 million on June 30, 2022. This balance is in addition to the operating cash of \$6.3 million noted above.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash	\$ 4,445,163	\$ 4,639,754	\$ 7,748,283	\$ 6,301,715
Accounts Receivable	\$ 397,972	\$ 254,131	\$ 804,006	\$ 1,084,596
Current Liabilities (Net of Current Portion LTD)	\$ 1,255,296	\$ 972,892	\$ 1,726,697	\$ 1,247,444
Total Liabilities	\$11,809,476	\$11,323,908	\$11,819,549	\$12,957,016
Restricted Net Assets	\$ 620,619	\$ 443,059	\$ 1,465,199	\$ 889,767
Unrestricted Net Assets	\$ 2,544,721	\$ 3,536,998	\$ 5,961,801	\$ 8,561,980
Current Assets to Current Liabilities Ratio	3.86 to 1	5.03 to 1	4.95 to 1	5.92 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	22%	26%	39%	44%

Review of Annual Audit

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2022 was completed November 17, 2022 by the firm Wipfli LLP. The audit was not submitted timely in accordance with the submission deadline. The annual audit was due on October 31, 2022. 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 2021-22 school year.

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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, 2022, 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, 2022, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

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MILWAUKEE ACADEMY OF SCIENCE
Financial Scorecard

SCORING CRITERIA	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	45	47	47	48	- Maintaining a steady strong net asset balance over the past several years. - 5.9 ratio of cash and receivables to current payables other than long-term debt. - \$8.6 million in unrestricted net assets. - \$11.5 million in long-term debt, but no issues making debt service payments.
Financial Reporting & Contract Compliance (Maximum 20)	17	16	18	17	- All required monthly reports provided in accordance with contract. - Audit not completed on timely basis.
Internal Controls (Maximum 20)	17	15	19	19	- The school has implemented a very solid structure. - No audit findings.
Sustainability (Maximum 10)	10	10	10	10	- School has slightly increased enrollment - Excellent financial position.
TOTAL	89	88	94	94	

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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. 2021-22 was the school's eleventh year as a City of Milwaukee charter school and the fourth 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, 2022.

Current Year Financial Results

The school, after several years of mixed results, showed another significant surplus of \$601,000 for FY 2022 as did in FY 2019 through FY 2021. For the year, the school posted revenues of \$5.9 million, up from \$4.5 million in the prior year. Also, expenses increased comparably by \$1.07 million to \$5.32 million, resulting in the positive financial results. The school continues to receive significant outside contributions for a new school building.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$601,000. The school currently has an unrestricted net asset balance of \$1,904,000. Unrestricted net assets have gone from \$750,000 to \$1,904,000 in the past five years.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$16,428 compared to FY 2021 of \$13,461.

Pupil Membership Counts for September and January for FY 2022 were 324 and 324 respectively, compared to FY 2021 of 319 and 313.

Restricted Fundraising: The Restricted Fundraising Revenues were \$4,899,056 and \$0 for FY 2022 and FY 2021 and Restricted Fundraising Expenses were \$0 and \$0, respectively.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$726,771 and \$493,831 for FY 2022 and FY 2021 and Unrestricted Expenses were \$79,055 and \$82,139, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	\$ 117,731	\$ 197,865	\$ 237,670	\$ 600,818
Revenues	\$3,985,259	\$4,414,500	\$4,491,420	\$5,923,340
Expenses	\$3,867,528	\$4,216,635	\$4,253,750	\$5,322,522
Surplus/(Deficit) as a Percentage of Revenues	3%	4.5%	5.3%	10.1%

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 201 to 1 compared to 153 to 1 in the prior year. Year-end cash balances totaled \$4,230,000, and the school had receivables of \$1,805,000. Current liabilities

totaled only \$30,000, resulting in the favorable ratio. The school consistently has another year with a solid financial position as of June 30, 2022.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash	\$ 1,008,638	\$1,659,502	\$1,529,110	\$4,229,915
Accounts Receivable	\$ 176,144	\$ 139,617	\$ 165,591	\$1,805,012
Current Liabilities (Net of Current Portion LTD)	\$ 33,644	\$ 12,455	\$ 11,081	\$ 30,032
Total Liabilities	\$ 35,050	\$ 478,155	\$ 52,148	\$ 60,165
Restricted Net Assets	\$ 288,150	\$ 1,239,888	\$1,369,574	\$6,193,296
Unrestricted Net Assets	\$ 867,867	\$ 1,065,732	\$1,303,402	\$1,904,220
Current Assets to Current Liabilities Ratio	35.0 to 1	144.0 to 1	153.0 to 1	201.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	22%	24%	29%	32%

Review of Annual Audit

The annual audit for Dr. Howard Fuller Collegiate Academy for the fiscal year ended June 30, 2022 was completed as of October 27, 2022 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 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 2021-22 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, 2022, it appears that the organization is taking the steps to ensure a sufficient financial management system. The school appears to still be in a solid financial position after its eleventh 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.

Draft V2

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

<u>SCORING CRITERIA</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>COMMENTS</u>
Financial Condition (Maximum 50)	44	46	47	48	- Strong net asset balance. - Very strong ratio of cash and receivables to payables. - \$1.9 million in unrestricted net assets. - \$30,000 Capital Lease obligation and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	17	18	20	20	- All required monthly reports provided in accordance with contract. - Audit was completed on timely basis.
Internal Controls (Maximum 20)	14	16	17	17	- Small size of the organization precludes an ideal internal control structure. - No Audit findings
Sustainability (Maximum 10)	9	9	9	9	- Slight increase in enrollment - Solid financial position with a base to solicit significant contributions.
TOTAL	<u>84</u>	<u>89</u>	<u>93</u>	<u>94</u>	

Draft V2

Milwaukee Math and Science Academy

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2021-22 was the school's eleventh 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, 2022.

Current Year Financial Results

After showing deficits in the prior three fiscal years, MMSA showed a solid surplus in the 2020-21 fiscal year but the current year trended back to a small loss of \$47,000. The school made a location change in addition to the management change a few years ago and it appears to be positive regarding the future. Over the past several years, MMSA has been operating on a break-even basis, maintaining its good financial position. However, FY 2022 revenue increased by approximately \$341,000 and expenses increased by approximately \$980,000. The enrollment stayed constant, but enrollment should be watched closely by the school. A large part of the expense change is due to Salaries, Transportation, Maintenance and Repairs, Technology and Supplies.

Per review of the annual audit, the school showed a small decrease of \$47,000 in unrestricted net assets for the year from approximately \$3.3 million of revenues and expenses of \$3.3 million.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$17,307 compared to FY 2021 of \$12,142.

Pupil Membership Counts for September and January for FY 2022 were 201 and 195 respectively, compared to FY 2021 of 192 and 191.

MMSA did not have any Restricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

MMSA did not have any Unrestricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	(\$ 262,237)	(\$ 18,120)	\$ 592,306	(\$ 47,365)
Revenues	\$3,208,999	\$2,607,416	\$2,917,478	\$3,258,246
Expenses	\$3,471,236	\$2,625,536	\$2,325,172	\$3,305,611
Surplus/(Deficit) as a Percentage of Revenues	(8%)	(0.7%)	20.3%	(1.5%)

Current Financial Position

After its eleventh year of operations, the school has accumulated an unrestricted net asset balance of \$741,000. MMSA has a solid cash flow position and the ratio of cash and receivables to current liabilities (excluding notes payable) slightly decreased to 5.9 to 1 compared to 7.0 to 1 in prior year. Year-end cash balances totaled approximately \$424,000, and the school had

receivables of \$408,000. Current liabilities total \$141,000, resulting in the favorable ratio that is increasing. MMSA no longer has outstanding debt obligation with Concept Schools as it was paid FY 2022.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash	\$ 353,260	\$ 331,731	\$ 680,433	\$ 423,738
Accounts Receivable	\$ 45,245	\$ 70,114	\$ 261,652	\$ 408,109
Current Liabilities (Net of Current Portion LTD)	\$ 293,902	\$ 220,608	\$ 134,190	\$ 140,595
Total Liabilities	\$ 293,902	\$ 279,612	\$ 377,140	\$ 144,811
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 214,257	\$ 196,137	\$ 788,443	\$ 741,078
Current Assets to Current Liabilities Ratio	1.4 to 1	1.8 to 1	7.0 to 1	5.9 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	7%	8%	27%	23%

Review of Annual Audit

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2022 was completed as of November 14, 2022 by the firm Ritz Holman LLP. The audit was not submitted timely in accordance with the submission deadline. The annual audit was due on October 31, 2022. 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 noted two audit issues. (1) one expense transaction's backup was not located until audit conclusion and (2) one voided and reissued check was included as outstanding on the bank reconciliation. Both issues have been resolved and internal controls are in place. The audit report appears to have been properly submitted, however late, 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 2021-2022 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, 2022, 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	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	44	43	45	44	- 5.9:1 ratio of cash and receivables to payables other than debt service. - No debt except \$4,200 Capital Lease obligation. - Slight Surplus shortfall in FY 2022 of \$47,365 as Program Expenses increased by approximately \$1 million and Revenue increased by less than \$300,000.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	19	- All required monthly reports provided in accordance with contract. - Audit not completed on timely basis.
Internal Controls (Maximum 20)	18	18	18	17	- Internal controls in place. - Finances handled from corporate offices in Chicago - Audit issue reported on lack of support on one insurance invoice and one voided and reissued check being listed as outstanding on the bank reconciliation. Both issues have been resolved and internal controls in place will catch these issues in the future.
Sustainability (Maximum 10)	9	7	9	8	- Solid financial position - Sustained enrollment count and increase to expenses.
TOTAL	91	88	92	88	

Draft V2

Escuela Verde

Escuela Verde completed its tenth year of operations as a City of Milwaukee charter school in 2021-22. Escuela Verde is an arm of the Tran 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, 2022.

Current Year Financial Results

In its tenth 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 2021-22 fiscal year are approximately \$1.8 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 \$199,000 on revenues of \$1.8 million and expenses of \$1.6 million.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2022 was \$13,688 compared to FY 2021 of \$12,422.

Pupil Membership Counts for September and January for FY 2022 were 120 and 121 respectively, compared to FY 2021 of 119 and 121.

Escuela Verde did not have any Restricted Fundraising Revenues or Expenses in FY 2022 and FY 2021.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$13,937 and \$96,124 for FY 2022 and FY 2021 and Unrestricted Expenses were \$12,492 and \$8,327, respectively.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus / (Deficit)	\$ 32,744	\$ 119,498	\$ 100,621	\$ 198,595
Revenues	\$1,359,080	\$1,540,647	\$1,591,234	\$1,848,017
Expenses	\$1,326,336	\$1,421,149	\$1,490,613	\$1,649,422
Surplus/(Deficit) as a Percentage of Revenues	2%	8%	6%	11%

Current Financial Position

After its tenth year of operations, the school has accumulated net assets of \$932,000, 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 decreased to 9.42 to 1 from 22.24 to 1 the prior year. The Tran Center for Youth's year-end cash and receivables balances totaled approximately \$1,606,000. Current liabilities totaled \$170,000, thus resulting in decline in the ratio.

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, 2022.

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

	2019	2020	2021	2022
Cash – Trans Center	\$ 278,555	\$ 963,300	\$1,243,134	\$1,194,030
Accounts Receivable – Trans Center	\$ 234,625	\$ 250,777	\$ 243,776	\$ 412,140
Current Liabilities (Net of Current Portion LTD) – Trans Center	\$ 92,641	\$ 93,198	\$ 66,864	\$ 170,441
Total Liabilities – Trans Center	\$1,422,574	\$1,384,087	\$1,328,114	\$1,388,017
Restricted Net Assets – EV	\$ 0	\$ 632,702	\$ 459,668	\$ 670,414
Unrestricted Net Assets – EV	\$ 513,204	\$ 0	\$ 273,655	\$ 261,504
Current Assets to Current Liabilities Ratio – EV	*	*	*	*
Net Assets as Percentage of Yearly Revenues – EV	38%	41%	46%	50%

* - 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, 2022 was completed as of October 4, 2022 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 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 2021-22 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, 2022, 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	2019	2020	2021	2022	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	- Good financial position after tenth 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 \$1,199,000 and a Capital Lease of \$18,700. There is no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	- All required monthly reports provided in accordance with contract. - 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	94	94	94	94	

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