

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

February 7, 2024

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
Table of Contents**

	<u>Page</u>
Overview of Management Oversight Procedures	4
Financial Scorecard Criteria and Scoring	5
Reports / Scorecards:	
Downtown Montessori Academy:	
Report	7
Scorecard	10
Central City Cyberschool	
Report	11
Scorecard	13
D.L. Hines College Preparatory Academy of Excellence (DLH Academy)	
Report	14
Scorecard	16
Milwaukee Academy of Science	
Report	17
Scorecard	20
Dr. Howard Fuller Collegiate Academy	
Report	21
Scorecard	23
Milwaukee Math and Science Academy	
Report	24
Scorecard	27
Escuela Verde	
Report	28
Scorecard	30

**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.

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

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 childcare facility. The 2022-23 school year was DMA's twenty-fifth 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, 2023.

Current Year Financial Results

DMA had a loss of \$269,000 in 2023 after several years of showing positive financial results in both the charter school and day care. The 2022-23 school year showed approximate revenue of \$2,868,000, or a \$141,000 5.2% increase in revenues. Since 2014, the school had increased revenues steadily each year. In 2023, expenses increased by approximately \$540,000, or a 20.8% increase in expenses, which when combined with the slight increase of approximately \$141,000 in revenues resulted in an approximate deficit of \$269,000.

The increase in expenses was mainly due to salaries and benefits increased by \$236,000, non-cash depreciation expense increased by \$97,000 and interest expense increased by \$87,000 in 2023 after new building renovation completion and respective note payable payment start date. The school had consistently shown surpluses before the current 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 a slight decrease to enrollment, performed close to break-even financially in the 2022-23 fiscal year.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2023 was \$14,188 compared to FY 2022 of \$11,802.

Pupil Membership Counts for September and January for FY 2023 were 234 and 229 respectively, compared to FY 2022 of 229 and 235.

DMA did not have any Restricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$34,477 and \$27,388 for FY 2023 and FY 2022 and Unrestricted Expenses were \$12,084 and \$13,519, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022 *</u>	<u>2023</u>
Surplus / (Deficit)	\$ 284,402	\$ 668,909	\$ 130,429	(\$ 268,646)
Revenues	\$2,963,314	\$3,141,344	\$2,727,024	\$2,868,393
Expenses	\$2,678,912	\$2,472,435	\$2,596,595	\$3,137,039
Surplus/(Deficit) as a % of Revenues	10%	21%	5%	(9%)

Current Financial Position

DMA's year-end cash position remained solid, with the school maintaining approximately \$855,000 in cash at year-end. As in prior years, there is no concern regarding the financial position of the school. 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 3.47, showing a slight decrease from the prior year. Unrestricted net assets decreased and are 99% of yearly revenues as of June 30, 2023. 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, 2023. Each of these notes will be repaid over a 15-year period. As of June 30, 2023, the balance of those loans totaled \$3,652,000.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash	\$1,424,266	\$1,222,677	\$1,070,170	\$ 855,075
Accounts Receivable	\$ 90,449	\$ 159,364	\$ 81,967 *	\$ 24,754
Current Liabilities (Net of Current Portion LTD)	\$ 288,564	\$ 400,605	\$ 289,023	\$ 253,694
Total Liabilities	\$1,661,945	\$1,338,287	\$4,100,477	\$3,879,625
Restricted Net Assets	\$ 1,071	\$ 2,471	\$ 5,045	\$ 7,045
Unrestricted Net Assets	\$2,305,629	\$2,974,538	\$3,104,967 *	\$2,836,321
Current Assets to Current Liabilities Ratio	5.2 to 1	3.4 to 1	4.0 to 1 *	3.5 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	78%	95%	114% *	99%

Review of Annual Audit

The annual audit for Downtown Montessori Academy for the fiscal year ended June 30, 2023, was completed as of October 31, 2023 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. During the audit, a prior period adjustment was made. It was noted that grants receivable and revenue were overstated by \$69,502 in the prior year. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

*. Prior period adjustment of \$69,502 as a reduction to prior year grants receivable and revenue affects the presentation of 2022 \$ and %.

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 2022-23 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	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	- Several prior years of positive financial results until current year deficit. -3.47 current ratio. - Year-end cash and receivable balance of \$880,000 - Three property renovation notes payable
Financial Reporting & Contract Compliance (Maximum 20)	19	20	20	19	- Almost all required monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	18	18	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings in last eleven audits - Claim documentation procedure was recommended during audit
Sustainability (Maximum 10)	10	10	10	10	- Slight decrease in enrollment of 6 pupils. - Excellent financial position.
TOTAL	94	95	96	95	

Central City Cyberschool

Central City Cyberschool (CCC) was established as a charter school in 1999 and completed its twenty-fourth year of operations in 2023. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2023.

Current Year Financial Results

CCC revenues decreased by approximately \$470,000 in 2023 but had been consistently positive the prior nine years. The decrease is primarily due to the 2022 PPP loan forgiveness of \$280,000 and the Charter Revenue decrease of \$130,000. The school maintains a mostly consistent enrollment level and this year enrollment decreased 21 pupils. School operating expenses had remained consistent in the prior years and this year has increased by \$20,000.

Per review of the audited financial statements, the school results for the 2022-23 fiscal year showed a decrease in net assets of \$178,000 for the fiscal year. The decrease is due to the decrease in revenues. Cash flow continued to be excellent during the fiscal year as CCC has significant accumulated assets from prior years.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2023 was \$14,504 compared to FY 2022 of \$13,705.

Pupil Membership Counts for September and January for FY 2023 were 391 and 395 respectively, compared to FY 2022 of 426 and 416.

Restricted Fundraising: The Restricted Fundraising Revenues were \$0 and \$150,000 for FY 2023 and FY 2022 and Restricted Fundraising Expenses were \$0 and \$0, respectively.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$11 and \$40,050 for FY 2023 and FY 2022 and Unrestricted Expenses were \$105,729 and \$128,774, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022 *</u>	<u>2023</u>
Surplus / (Deficit)	\$ 173,411	\$ 390,798	\$ 311,505	(\$ 177,748)
Revenues	\$5,220,137	\$5,031,079	\$5,872,860	\$5,403,422
Expenses	\$5,046,726	\$4,640,281	\$5,561,355	\$5,581,170
Surplus/(Deficit) as a Percentage of Revenues	3.3%	7.8%	5.3%	(3.3%)

Current Financial Position

CCC continues to be a very financially stable organization. The school maintains a year-end cash balance of approximately \$1,199,000. The school maintains a solid unrestricted net asset balance of approximately \$3.2 million in 2022-23 after the current year deficit of \$178,000. The ratio of cash and receivables to current liabilities (excluding notes payable) is 5.2 to 1, down slightly from 6.1 to 1 last year. Therefore, the school is maintaining a solid ratio, consistent with the prior year.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash	\$ 624,440	\$1,114,965	\$ 815,868	\$1,199,305
Accounts Receivable	\$ 511,851	\$ 477,445	\$1,004,744 *	\$ 506,921
Current Liabilities (Net of Current Portion LTD)	\$ 368,659	\$ 281,673	\$ 299,243	\$ 327,300
Total Liabilities	\$ 648,793	\$ 636,219	\$ 361,297	\$ 376,334
Restricted Net Assets	\$ 0	\$ 0	\$ 150,000	\$ 150,000
Unrestricted Net Assets	\$2,761,702	\$3,152,500	\$3,358,944 *	\$3,181,196
Current Assets to Current Liabilities Ratio	3.1 to 1	5.7 to 1	6.1 to 1 *	5.2 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	53%	63%	57% *	59%

Review of Annual Audit

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2023 was completed as of November 20, 2023 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. During the audit, it was noted that grants receivable and revenue were overstated by \$39,179 in the prior year. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

*. Prior period adjustment of \$39,179 as a reduction to prior year grants receivable and revenue affects the presentation of 2022 \$ and %.

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 2022-23 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, 2023, 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	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	- Strong net asset balance. -3.5:1 ratio of cash and receivables to payables. - \$3.2 million in unrestricted net assets. - No outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	18	20	20	19	- Most monthly reports were provided in accordance with the contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	16	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	-Enrollment decrease of 21 pupils. - Excellent financial position.
TOTAL	92	94	93	93	

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

DLH Academy was established as a charter school in 2002 and has completed its 21st year of operations in 2023. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2023.

Current Year Financial Results

The school had a surplus in prior year, and DLH Academy had another positive year in 2023. DLH plans to build on its positive financial position in future years. The pupil count went down slightly from prior year due to both enrollment decrease and lack of teachers. Revenue increased by a slight \$106,000 and expenses also increased by almost \$143,000 but still leaving a financially positive change in the unrestricted net asset balance.

Per review of the 2023 audited financial statements, the school showed an increase in unrestricted net assets of \$87,000 on revenues of \$3.06 million and expenses of \$2.98 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 2023 was \$16,905 compared to FY 2022 of \$15,206.

Pupil Membership Counts for September and January for FY 2023 were 192 and 182 respectively, compared to FY 2022 of 201 and 198.

DLH did not have any Restricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$2,390 and \$60 for FY 2023 and FY 2022 and Unrestricted Expenses were \$192 and \$190, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus / (Deficit)	(\$ 90,581)	\$ 358,951	\$ 111,338	\$ 87,019
Revenues	\$2,641,932	\$2,873,448	\$2,943,402	\$3,062,345
Expenses	\$2,732,513	\$2,514,497	\$2,832,064	\$2,975,326
Surplus/(Deficit) as a Percentage of Revenues	(3%)	12.5%	3.8%	2.8%

Current Financial Position

DLH continues to have a very solid cash position, with year-end cash balances totaling approximately \$1.7 million. The ratio of cash and receivables to current liabilities (excluding notes payable) increased slightly to 22.2 to 1 compared to the prior year at 13.6 to 1. The school had receivables of \$94,407. Current liabilities totaled \$82,422, thus resulting in an 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, 2023.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash	\$1,559,622	\$1,534,689	\$1,602,057	\$1,735,903
Accounts Receivable	\$ 38,535	\$ 98,683	\$ 189,285	\$ 94,407
Current Liabilities (Net of Current Portion LTD)	\$ 126,145	\$ 100,423	\$ 132,036	\$ 82,422
Total Liabilities	\$ 384,052	\$ 142,376	\$ 167,623	\$1,590,111
Restricted Net Assets	\$ 0	\$ 0	\$ 12,387	\$ 12,587
Unrestricted Net Assets	\$1,368,291	\$1,727,242	\$1,838,580	\$1,925,599
Current Assets to Current Liabilities Ratio	12.7 to 1	16.3 to 1	13.6 to 1	22.2 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	52%	60%	62%	63%

Review of Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2023 was completed as of September 27, 2023 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 2022-23 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, 2023, 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	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	- A \$87,000 surplus this year and has shown several consecutive years of surpluses prior to three years ago deficit. - 22.2:1 current ratio is excellent. - 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	18	- 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 of 16 pupils in enrollment levels - Good financial position
TOTAL	<u>95</u>	<u>95</u>	<u>95</u>	<u>96</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-third year of operations in 2023. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2023.

Current Year Financial Results

MAS showed a deficit for the 2023 fiscal year. For the year, the school showed a decrease in unrestricted net assets of approximately \$231,000 compared to an increase of \$2.6 million in the prior year. Total unrestricted revenue increased by \$3,904,000 (includes Net Assets released from restrictions of \$468,000), while expenses increased by \$6,591,000.

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 2023 was \$17,520 compared to FY 2022 of \$12,990.

Pupil Membership Counts for September and January for FY 2023 were 1,401 and 1,321 respectively, compared to FY 2022 of 1,351 and 1,285.

MAS did not have any Restricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$1,034,751 and \$222,688 for FY 2023 and FY 2022 and Unrestricted Expenses were \$70,300 and \$247,327, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus / (Deficit)	\$ 787,679	\$ 2,424,803	\$ 2,600,179	(\$ 231,415)
Revenues	\$13,432,988	\$15,475,644	\$19,300,586	\$23,205,210
Expenses	\$12,645,309	\$13,050,841	\$16,700,407	\$23,290,909
Surplus/(Deficit) as a Percentage of Revenues	6%	15.7%	13.5%	(1.0%)

Current Financial Position

Currently, the school has unrestricted net assets of \$8.33 million, a very solid cash flow position. The ratio of cash and receivables to current liabilities (excluding notes payable) is solid at 3.62 to 1 compared to 5.92 to 1 in the prior year. Year-end operating cash balances totaled approximately \$4.2 million, and the school had receivables including promises to give from donors of \$2.17 million. Current liabilities other than current debt service total \$1.77 million, thus resulting in a 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 2022-23.

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 \$10.1 million as of June 30, 2023. 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 \$947,000 on June 30, 2023. This balance is in addition to the operating cash of \$4.2 million noted above.

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

	2020	2021	2022	2023
Cash	\$ 4,639,754	\$ 7,748,283	\$ 6,301,715	\$ 4,225,806
Accounts Receivable	\$ 254,131	\$ 804,006	\$ 1,084,596	\$ 2,174,814
Current Liabilities (Net of Current Portion LTD)	\$ 972,892	\$ 1,726,697	\$ 1,247,444	\$ 1,768,200
Total Liabilities	\$11,323,908	\$11,819,549	\$12,957,016	\$22,772,048
Restricted Net Assets	\$ 443,059	\$ 1,465,199	\$ 889,767	\$ 685,119
Unrestricted Net Assets	\$ 3,536,998	\$ 5,961,801	\$ 8,561,980	\$ 8,330,565
Current Assets to Current Liabilities Ratio	5.03 to 1	4.95 to 1	5.92 to 1	3.62 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	26%	39%	44%	36%

Review of Annual Audit

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2023 was completed December 15, 2023 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, 2023. 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. There were no findings but better review of segregation of duties was a recommendation as one person was having too many duties. The small staff size contributed to the late audit submission. The audit 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. MAS has complied with those reporting requirements for the 2022-23 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, 2023, 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, 2023, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

MILWAUKEE ACADEMY OF SCIENCE

Financial Scorecard

SCORING CRITERIA	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	47	47	48	48	<ul style="list-style-type: none"> - Maintaining a steady strong net asset balance over the past several years. - 3.6 ratio of cash and receivables to current payables other than long-term debt. - \$8.3 million in unrestricted net assets. - \$10.7 million in long-term debt, but no issues making debt service payments.
Financial Reporting & Contract Compliance (Maximum 20)	16	18	17	16	<ul style="list-style-type: none"> - All required monthly reports provided in accordance with contract. - Audit not completed on a timely basis.
Internal Controls (Maximum 20)	15	19	19	17	<ul style="list-style-type: none"> - The school has implemented a solid structure. - Better segregation of duties to strengthen the weakness in internal controls was recommended during audit - No audit findings.
Sustainability (Maximum 10)	10	10	10	10	<ul style="list-style-type: none"> - School has slightly increased enrollment of 36 pupils. - Excellent financial position after enduring a flood recovery
TOTAL	88	94	94	91	

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. 2022-23 was the school's twelfth year as a City of Milwaukee charter school and the fifth 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, 2023.

Current Year Financial Results

The school, after several years of mixed results, showed another significant surplus of \$4,503,000 for FY 2023 as had a surplus of \$600,818 in FY 2022. For the year, the school posted revenues of \$10.76 million, up from \$5.9 million in the prior year. Also, expenses increased by \$980,000 to \$6.26 million, resulting in positive financial results.

The school continues to receive significant outside contributions for a new school building. The \$3,990,000 In-Kind Revenue is the donated building and land for the new high school.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$4,503,000. The school currently has an unrestricted net asset balance of \$12,600,000. Unrestricted net assets have gone from \$750,000 to \$12,600,000 in the past six years.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2023 was \$19,372 compared to FY 2022 of \$16,428.

Pupil Membership Counts for September and January for FY 2023 were 331 and 315 respectively, compared to FY 2022 of 324 and 324.

Restricted Fundraising: The Restricted Fundraising Revenues were \$0 and \$4,899,056 for FY 2023 and FY 2022 and Restricted Fundraising Expenses were \$0 and \$0, respectively.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$1,944,737 and \$726,771 for FY 2023 and FY 2022 and Unrestricted Expenses were \$77,543 and \$79,055, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus / (Deficit)	\$ 197,865	\$ 237,670	\$ 600,818	\$ 4,502,705
Revenues	\$4,414,500	\$4,491,420	\$5,923,340	\$10,759,859
Expenses	\$4,216,635	\$4,253,750	\$5,322,522	\$ 6,257,154
Surplus/(Deficit) as a Percentage of Revenues	4.5%	5.3%	10.1%	41.8%

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 62.8 to 1 compared to 201 to 1 in the prior year. Year-end cash

balances totaled \$759,000, and the school had receivables of \$5,333,000. Current liabilities totaled only \$97,000, resulting in a favorable ratio. The school consistently has another year with a solid financial position as of June 30, 2023.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash	\$1,659,502	\$1,529,110	\$4,229,915	\$ 758,820
Accounts Receivable	\$ 139,617	\$ 165,591	\$1,805,012	\$ 5,333,227
Current Liabilities (Net of Current Portion LTD)	\$ 12,455	\$ 11,081	\$ 30,032	\$ 97,069
Total Liabilities	\$ 478,155	\$ 52,148	\$ 60,165	\$33,266,870
Restricted Net Assets	\$1,239,888	\$1,369,574	\$6,193,296	\$ 1,592,627
Unrestricted Net Assets	\$1,065,732	\$1,303,402	\$1,904,220	\$11,007,594
Current Assets to Current Liabilities Ratio	144.0 to 1	153.0 to 1	201.0 to 1	62.8 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	24%	29%	32%	102%

Review of Annual Audit

The annual audit for Dr. Howard Fuller Collegiate Academy for the fiscal year ended June 30, 2023, was completed as of December 6, 2023 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, 2023. 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, 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. Dr. Howard Fuller Collegiate Academy has complied with those reporting requirements for the 2022-23 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, 2023, it appears that the organization is taking the steps to ensure a sufficient financial management system. The school is still in a solid financial position after its twelfth 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**

SCORING CRITERIA	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	46	47	48	48	- Strong support of new building and land. - Very strong ratio of cash and receivables to payables. - \$11 million in unrestricted net assets. - No outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	18	20	20	18	- Required monthly reports were not always provided in accordance with contract. - Audit was not completed on timely basis.
Internal Controls (Maximum 20)	16	17	17	16	- Small size of the organization precludes an ideal internal control structure. - No Audit findings
Sustainability (Maximum 10)	9	9	9	9	- Slight decrease in enrollment of 9 pupils. - Solid financial position with a base to solicit significant contributions.
TOTAL	<u>89</u>	<u>93</u>	<u>94</u>	<u>91</u>	

Milwaukee Math and Science Academy

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2022-23 was the school's twelfth 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, 2023.

Current Year Financial Results

Over the past several years, MMSA has been operating on a break-even basis, maintaining its good financial position. However, FY 2023 revenue increased by approximately \$77,000 and expenses increased by approximately \$136,000. MMSA had a \$108,000 loss in the 2022-23 fiscal year and the prior year also had a smaller loss of \$47,000. A few years ago the school made a location change in addition to contracting a new management team and the changes have been positive regarding the present and future school stability. In FY 2023 the enrollment increased thirty pupils, but enrollment should be watched closely by the school.

Per review of the annual audit, the school showed a decrease of \$108,000 in unrestricted net assets for the year from approximately \$3.3 million of revenues and expenses of \$3.4 million.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2023 was \$15,754 compared to FY 2022 of \$17,307.

Pupil Membership Counts for September and January for FY 2023 were 231 and 225 respectively, compared to FY 2022 of 201 and 195.

MMSA did not have any Restricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

MMSA did not have any Unrestricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus / (Deficit)	(\$ 18,120)	\$ 592,306	(\$ 47,365)	(\$ 107,542)
Revenues	\$2,607,416	\$2,917,478	\$3,258,246	\$3,334,622
Expenses	\$2,625,536	\$2,325,172	\$3,305,611	\$3,442,164
Surplus/(Deficit) as a Percentage of Revenues	(0.7%)	20.3%	(1.5%)	(3.2%)

Current Financial Position

After its twelfth year of operations, the school has accumulated an unrestricted net asset balance of \$634,000. MMSA has a solid cash flow position and the ratio of cash and receivables to current liabilities (excluding notes payable) decreased slightly to 4.3 to 1 compared to 5.9 to 1 in the prior year. Year-end cash balances totaled approximately \$121,000, and the school had receivables of \$542,000. Current liabilities total \$155,000 resulting in the favorable ratio.

MMSA no longer has an outstanding debt obligation with Concept Schools as it was paid off in FY 2022.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash	\$ 331,731	\$ 680,433	\$ 423,738	\$ 121,153
Accounts Receivable	\$ 70,114	\$ 261,652	\$ 408,109	\$ 541,687
Current Liabilities (Net of Current Portion LTD)	\$ 220,608	\$ 134,190	\$ 140,595	\$ 154,742
Total Liabilities	\$ 279,612	\$ 377,140	\$ 144,811	\$2,488,554
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 196,137	\$ 788,443	\$ 741,078	\$ 633,536
Current Assets to Current Liabilities Ratio	1.8 to 1	7.0 to 1	5.9 to 1	4.3 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	8%	27%	23%	19%

Review of Annual Audit

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2023, was completed as of December 8, 2023 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, 2023. Per review of the report, there were no significant financial statement or internal control findings noted by the auditor, and the auditor expressed no issues over the school's ability to continue as a going concern.

There was one compliance finding. The finding was a significant deficiency for CFDA #84.425 that Accounts Payable included several outstanding items that had been paid and expenses were duplicated in the accounting system.

Recommendation: Use bill payments for all vendor payments to avoid duplicating entry of bills and the Organization should review accounts payable in search of unexpected outstanding payables.

Management Response: Organization has implemented a policy that checks will be written through bill entry payment method. Accounts payable aging report will be reviewed on a monthly basis.

The audit noted three audit issues. (1) Accounts payable includes a retirement payable of \$617, not yet paid; (2) the organization had many payroll liability accounts that were not reconciled as of June 30, 2023, and (3) out of 30 expenses tested, 1 expense didn't have documented approval by the principal. All three 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 2022-2023 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, 2023, 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	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	43	45	44	44	- 4.3:1 ratio of cash and receivables to payables other than debt service. - No debt except Lease obligations. - Slight Deficit in FY 2023 of \$107,542 as Program Expenses increased by approximately \$137,000 and Revenue increased by approximately \$76,000.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	19	18	- Most required monthly reports provided in accordance with contract. - Audit not completed on timely basis.
Internal Controls (Maximum 20)	18	18	17	15	- Internal controls in place. - Audit Compliance Finding – Federal Award Finding that accounts payable included several items that had been paid and expenses were duplicated in the accounting system. Recommendation made and organization response is: Need corrective action - Finances handled from corporate offices in Chicago - Three Audit issues reported: 1) Accounts Payable includes a retirement payable of \$617, not yet paid; 2) many payroll liability accounts were not reconciled as of June 30, 2023 and 3) Out of the 30 expenses tested, one expense did not have documented approval by the principal. All issues are in process of being resolved and internal controls are being put into place that will catch these issues in the future.
Sustainability (Maximum 10)	7	9	8	8	-Good financial position - Healthy increase of 30 pupils in enrollment count and slight increase to revenues and expenses.
TOTAL	88	92	88	85	

Escuela Verde

Escuela Verde completed its eleventh year of operations as a City of Milwaukee charter school in 2022-23. 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, 2023.

Current Year Financial Results

In its eleventh 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 2022-23 fiscal year are approximately \$2.0 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 \$117,000 on revenues of \$2.0 million and expenses of \$1.9 million.

The Average Cost Per Full Time Equivalent Pupil (FTE) for FY 2023 was \$15,688 compared to FY 2022 of \$13,688.

Pupil Membership Counts for September and January for FY 2023 were 121 and 124 respectively, compared to FY 2022 of 120 and 121.

Escuela Verde did not have any Restricted Fundraising Revenues or Expenses in FY 2023 and FY 2022.

Unrestricted Fundraising: The Unrestricted Fundraising Revenues were \$0 and \$13,937 for FY 2023 and FY 2022 and Unrestricted Expenses were \$0 and \$12,492, respectively.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus / (Deficit)	\$ 119,498	\$ 100,621	\$ 198,595	\$ 116,975
Revenues	\$1,540,647	\$1,591,234	\$1,848,017	\$2,038,787
Expenses	\$1,421,149	\$1,490,613	\$1,649,422	\$1,921,812
Surplus/(Deficit) as a Percentage of Revenues	8%	6%	11%	6%

Current Financial Position

After its eleventh year of operations, the school has accumulated net assets of \$1.05 million 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 5.7 to 1 from 9.42 to 1 the prior year. The Trans Center for Youth's year-end cash and receivables balances totaled approximately \$1,937,000. Current liabilities totaled \$340,000, thus resulting in a 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, 2023.

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

	2020	2021	2022	2023
Cash – Trans Center	\$ 963,300	\$1,243,134	\$1,194,030	\$1,092,733
Accounts Receivable – Trans Center	\$ 250,777	\$ 243,776	\$ 412,140	\$ 844,577
Current Liabilities (Net of Current Portion LTD) – Trans Center	\$ 93,198	\$ 66,864	\$ 170,441	\$ 340,140
Total Liabilities – Trans Center	\$1,384,087	\$1,328,114	\$1,388,017	\$1,777,201
Restricted Net Assets – EV	\$ 632,702	\$ 459,668	\$ 670,414	\$ 742,152
Unrestricted Net Assets – EV	\$ 0	\$ 273,655	\$ 261,504	\$ 306,741
Current Assets to Current Liabilities Ratio – EV	*	*	*	*
Net Assets as Percentage of Yearly Revenues – EV	41%	46%	50%	51%

* - School has almost no liabilities resulting in a ratio that is 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, 2023, was completed as of September 29, 2023, 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 2022-23 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, 2023, 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	2020	2021	2022	2023	COMMENTS
Financial Condition (Maximum 50)	47	47	47	48	- Good financial position after eleventh 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 \$1,138,000 and Leases. 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	18	- 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 -Increase in enrollment of 3 pupils.
TOTAL	<u>94</u>	<u>94</u>	<u>94</u>	<u>96</u>	