

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trans Center for Youth, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Trans Center for Youth, Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trans Center for Youth, Inc. as of June 30, 2013, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general and administrative expenses and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Trans Center for Youth, Inc.'s internal control over financial reporting and compliance.

Raig, Pen + Berto LLP

November 26, 2013
Milwaukee, Wisconsin

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2013

<u>ASSETS</u>	<u>Administration</u>	<u>Shalom</u>	<u>NOVA</u>	<u>EI Puente</u>	<u>Escuela Verde</u>	<u>Total</u>
Current Assets:						
Cash and equivalents	\$ 83,397	\$ 2,723	\$ 3,883	\$ 15,769	\$ 29,079	\$ 134,851
Accounts receivable	-	-	-	1,833	49,383	51,216
Prepaid insurance	-	2,605	1,517	1,614	1,138	6,874
Other prepaids	-	3,578	-	-	-	3,578
Total current assets	83,397	8,906	5,400	19,216	79,600	196,519
Property and Equipment:						
Cost	308,100	310,133	128,281	143,718	-	890,232
Less: Accumulated depreciation	(91,629)	(290,518)	(127,271)	(142,890)	-	(652,308)
Net property and equipment	216,471	19,615	1,010	828	-	237,924
Other Assets:						
Security deposits	-	-	-	13,577	-	13,577
Total assets	\$ 299,868	\$ 28,521	\$ 6,410	\$ 33,621	\$ 79,600	\$ 448,020
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 14,872	\$ -	\$ -	\$ -	\$ 8,240	\$ 23,112
Due to/from other funds	(134,000)	129,000	5,000	-	-	-
Total current liabilities	(119,128)	129,000	5,000	-	8,240	23,112
Unrestricted Net Assets:						
Undesignated	343,325	(100,479)	1,410	33,621	71,360	349,237
Designated	75,671	-	-	-	-	75,671
Total net assets	418,996	(100,479)	1,410	33,621	71,360	424,908
Total liabilities and net assets	\$ 299,868	\$ 28,521	\$ 6,410	\$ 33,621	\$ 79,600	\$ 448,020

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

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Statement of Activities
For the Year Ended June 30, 2013

	Administration	Shalom	NOVA	EI Puente	Escuela Verde	Total Before Eliminations	Eliminations	Total After Eliminations
Unrestricted Net Assets:								
Revenue:								
Fees from MPS	\$ -	\$ 933,255	\$ 968,539	\$ -	\$ -	\$ 1,901,794	\$ -	\$ 1,901,794
Milwaukee Parental Choice Program	-	-	-	673,189	-	673,189	-	673,189
DPI grants	-	-	-	-	323,633	323,633	-	323,633
Charter school funding	-	-	-	-	505,375	505,375	-	505,375
Private grants	-	-	10,000	2,160	2,500	14,660	-	14,660
Contributions	15,984	171	11,280	9,026	1,000	37,461	-	37,461
Rent income	24,000	-	-	-	-	24,000	(24,000)	-
Interest income	1,967	-	-	-	-	1,967	-	1,967
Insurance fund reimbursements	22,150	-	-	-	-	22,150	-	22,150
Dental fund reimbursements	10,338	-	-	-	-	10,338	-	10,338
Miscellaneous income	2,592	-	4,538	2,316	-	9,446	-	9,446
Total revenue	77,031	933,426	994,357	686,691	832,508	3,524,013	(24,000)	3,500,013
Expenses:								
Operating expenses:								
Salaries - teachers	-	244,511	289,681	191,072	-	725,264	-	725,264
Salaries - MPS teachers	-	104,374	104,374	-	-	208,748	-	208,748
Related payroll taxes	-	21,339	25,232	16,592	-	63,163	-	63,163
Fringe benefits	-	43,090	59,670	22,184	-	124,944	-	124,944
Dental fund	-	2,323	-	1,795	-	4,118	-	4,118
Profit sharing	-	2,206	2,639	1,691	-	6,536	-	6,536
Supplies	105	5,024	12,597	11,776	26,965	56,467	-	56,467
Contracted services	-	10,834	2,886	30,120	32,133	75,973	-	75,973
Extracurricular activities	-	5,531	15,147	-	16,082	36,760	-	36,760
Educational testing	-	-	535	-	-	535	-	535
Transportation	2,259	45,505	-	18,939	19,250	85,953	-	85,953
Membership	1,503	1,088	3,599	-	9,328	15,518	-	15,518
Other grant expenses	-	-	32,711	-	-	32,711	-	32,711
DPI Implementation and planning expenses	-	-	-	-	275,139	275,139	-	275,139
Miscellaneous	589	-	-	-	3,550	4,139	-	4,139
Bank charges	847	-	-	-	-	847	-	847
Total operating expenses	5,303	485,825	549,071	294,169	382,447	1,716,815	-	1,716,815

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Statement of Activities

For the Year Ended June 30, 2013

	Administration	Shalom	NOVA	EI Puente	Escuela Verde	Total Before Eliminations	Eliminations	Total After Eliminations
Expenses: (Continued)								
Occupancy expenses:								
Rent	\$ -	\$ 24,000	\$ 108,097	\$ 96,350	\$ 28,200	\$ 256,647	\$ (24,000)	\$ 232,647
Utilities and building	14,790	39,858	14,000	-	10,178	78,826	-	78,826
Depreciation - leasehold improvements	-	6,531	-	-	-	6,531	-	6,531
Equipment	351	30,561	14,120	-	5,850	50,882	-	50,882
Repairs and maintenance	-	9,302	-	-	12,948	22,250	-	22,250
Total occupancy expenses	15,141	110,252	136,217	96,350	57,176	415,136	(24,000)	391,136
General and administrative expense	48,162	360,636	317,157	288,212	318,525	1,332,692	-	1,332,692
Total expenses	68,606	956,713	1,002,445	678,731	758,148	3,464,643	(24,000)	3,440,643
Change in unrestricted net assets	8,425	(23,287)	(8,088)	7,960	74,360	59,370	-	59,370
Net Assets (Deficit) - Beginning of Year	410,571	(77,192)	9,498	25,661	(3,000)	365,538	-	365,538
Net Assets (Deficit) - End of Year	\$ 418,996	\$ (100,479)	\$ 1,410	\$ 33,621	\$ 71,360	\$ 424,908	\$ -	\$ 424,908

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

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:	
Change in net assets	\$ 59,370
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	18,232
Change in assets and liabilities:	
Accounts receivable	(13,079)
Prepaid expenses	(1,378)
Security deposits	(1,006)
Accounts payable	<u>(17,409)</u>
Total adjustments	<u>(14,640)</u>
Net cash provided by operating activities	44,730
Cash Flows from Financing Activities:	
Proceeds from line of credit	370,000
Repayment of line of credit	<u>(370,000)</u>
Net cash provided by financing activities	-
Change in cash and equivalents	44,730
Cash and Equivalents, beginning of year	<u>90,121</u>
Cash and Equivalents, end of year	\$ <u><u>134,851</u></u>
Interest paid	\$ <u><u>1,724</u></u>

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

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

Nature of the Organization

Trans Center for Youth, Inc. - Shalom High School was founded in 1973 to provide educational services leading to a high school diploma for those students who were finding academic achievements difficult in the traditional schools. Since 1982, Shalom has been working with and receiving funding from Milwaukee Public Schools to serve these "at risk" students.

Northwest Opportunities Vocational Academy ("NOVA") has been working with and receiving funding from Milwaukee Public Schools since September of 1993. NOVA is designed to provide a full day, alternative school-to-work education for "at risk" students on the Northwest Side of Milwaukee.

El Puente High School began working with and receiving funding from Milwaukee Public Schools during July 1997. El Puente High School is designed to provide a full day, alternative school-to-work education, with an emphasis on math and science for "at risk" students on the South Side of Milwaukee. Effective for the 2011-12 school year, funding was received from the Department of Public Instruction as a school enrolled in the Milwaukee Parental Choice Program.

Escuela Verde is a charter school authorized by the Common Council of the City of Milwaukee that opened in 2012. Escuela Verde is implementing the EdVisions student-centered, project-based academic model with a focus on environmental justice and urban ecology.

Method of Accounting

The financial statements of Trans Center for Youth, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization did not have any temporarily or permanently restricted net assets.

Statement of Cash Flows

The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables are recorded on the accrual basis of accounting. Management expects that substantially all receivables will be collected within one year.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are depreciated using the straight-line method. Depreciation is based on the estimated useful life. The costs of additions (in excess of \$5,000) and betterments are capitalized and expenditures for repairs and maintenance are expensed when paid. Depreciation expense for the year ended June 30, 2013 was \$18,232.

Revenue Recognition

In accordance with accounting principles generally accepted in the United States of America, contributions are recognized as revenues when they are received or unconditionally pledged.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support that is received and expended in the same year is presented in the unrestricted net asset category.

Contributed Services

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Contributed services for the year ended June 30, 2013 consisted of the following:

	<u>Shalom</u>	<u>NOVA</u>	<u>Total</u>
MPS teachers	\$ 104,374	\$ 104,374	\$ 208,748
MPS administrative fees	20,441	21,599	42,040
Total	\$ <u>124,815</u>	\$ <u>125,973</u>	\$ <u>250,788</u>

Income Taxes

The Organization has received a favorable determination with respect to tax-exempt status from the Internal Revenue Service under provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that Trans Center for Youth, Inc. is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization is no longer subject to U.S. federal informational return examinations for years ending before June 30, 2010.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

El Puente entered into a new building lease agreement at 1121-1135 S. 35th Street beginning in July 2013. El Puente had previously leased its facilities at 1329 W. National Avenue.

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 26, 2013).

2. Cash and Equivalents

	<u>Admin.</u>	<u>Shalom</u>	<u>NOVA</u>	<u>El Puente</u>	<u>Escuela Verde</u>	<u>Total</u>
Cash consists of the following:						
Checking account, noninterest-bearing	\$ 5,921	\$ 2,723	\$ 3,883	\$ 15,769	\$ 29,079	\$ 57,375
Money market account:						
Operating	77,476	-	-	-	-	77,476
Total	<u>\$ 83,397</u>	<u>\$ 2,723</u>	<u>\$ 3,883</u>	<u>\$ 15,769</u>	<u>\$ 29,079</u>	<u>\$ 134,851</u>

3. Concentration of Risk

The Organization maintains its cash balances in one Milwaukee area financial institution. Trans Center for Youth, Inc.'s combined deposits at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization's cash balances may have exceeded FDIC coverage during the year.

The Organization received a majority of its support and revenue from one source in 2013. MPS provided approximately 54% of the support and revenue for the Organization.

4. Profit-Sharing Plan

The Organization made defined contributions of 1% of compensation to a profit-sharing plan for eligible employees.

The following is a summary of contributions made to the plan:

Shalom High School	\$ 4,536
NOVA	4,534
El Puente	3,589
Escuela Verde	2,214
Total	<u>\$ 14,873</u>

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

5. Property and Equipment

The following is a summary of cost and accumulated depreciation for property and equipment:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Administration:			
Shalom High School	\$ 20,000	\$ 19,334	\$ 666
Improvements	258,835	43,030	215,805
Vehicle	29,265	29,265	---
Subtotal	308,100	91,629	216,471
Shalom High School:			
Leasehold improvements	213,283	193,668	19,615
Land improvements	8,145	8,145	---
Furniture and fixtures	29,310	29,310	---
Vehicles	21,825	21,825	---
Equipment	37,570	37,570	---
Subtotal	310,133	290,518	19,615
NOVA:			
Leasehold improvements	2,064	2,064	---
Furniture and fixtures	19,868	19,868	---
Equipment	90,321	89,311	1,010
Vehicles	16,028	16,028	---
Subtotal	128,281	127,271	1,010
El Puente:			
Leasehold improvements	10,000	10,000	---
Furniture and fixtures	11,963	11,135	828
Equipment	79,176	79,176	---
Vehicles	42,579	42,579	---
Subtotal	143,718	142,890	828
Total	\$ 890,232	\$ 652,308	\$ 237,924

6. Operating Lease Commitments

Shalom High School leases the building located at 1749 N. 16th Street from Trans Center for Youth, Inc., the parent organization. No formal lease agreement has been signed. The monthly rental amount is determined annually by the Board of Directors. For the year ended June 30, 2013, rent expense amounted to \$24,000.

During the year, Shalom High School was obligated on a photocopier lease. The lease requires quarterly payments of \$621 plus an annual maintenance fee and can be canceled by either party with a 30-day notice. For the year ended June 30, 2013, lease expense for the photocopier amounted to \$6,584.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

6. Operating Lease Commitments (Continued)

NOVA leases its facilities, located at 2320 West Burleigh Street, on an annual basis. For the year ended June 30, 2013, rent expense amounted to \$108,097.

NOVA is currently leasing a photocopier under a noncancelable operating lease for five years commencing in June 2008 with an option to be renewed for another five years commencing June 2013. The lease terms were amended in November 2011 with the lease being renewed for 63 months. The lease requires monthly base payments of \$831 and ends in February 2019. For the year ended June 30, 2013, NOVA incurred \$10,367 in related lease charges.

El Puente leased its facilities, located at 1329 W. National Avenue, from an unrelated party with the lease agreement ending June 30, 2013. The lease required monthly payments of \$5,940. El Puente entered into a new building lease agreement at 1121-1135 S. 35th Street commencing in July 2013. The new lease requires monthly payments of \$7,000 for the first year and \$6,000 thereafter. The lease term ends in June 2018. For the year ended June 30, 2013 rent expense amounted to \$96,350.

El Puente is currently leasing two photocopiers under noncancelable operating leases for five years commencing in March 2011. The leases require monthly payments of \$705 and end in March 2016. For the year ended June 30, 2013, El Puente incurred \$9,226 in related lease charges.

Escuela Verde leases its facilities, located at 126 E. Mineral Street, from an unrelated party with a lease agreement ending June 30, 2013. The renewal option was exercised on the lease to extend the ending date to June 30, 2014. The lease requires monthly payments of \$3,000. For the year ended June 30, 2013 rent expense amounted to \$34,200.

Future minimum lease payments are as follows:

Year Ended June 30,	Shalom	NOVA	El Puente	Escuela Verde	Total
2014	\$ ---	\$ 9,966	\$ 92,462	\$ 36,000	\$ 138,428
2015	---	9,966	80,462	---	90,428
2016	---	9,966	78,347	---	88,313
2017	---	6,644	72,000	---	78,644
2018	---	---	72,000	---	72,000
Total	\$ ---	\$ 36,542	\$ 395,271	\$ 36,000	\$ 467,813

7. Line of Credit

The Organization has a line of credit with First Bank Financial Centre for up to \$150,000 that expires on August 14, 2014. The note is secured by real estate and has an interest rate of prime, but with a minimum rate of 5.00%. The balance on the line of credit was \$0 as of June 30, 2013.

8. Board Designated Net Assets

Trans Center for Youth, Inc. has a self-funded dental insurance plan. As of June 30, 2013, the amount of net assets designated as dental fund reserve was \$71,598. Trans Center for Youth, Inc. also has a plan to absorb the fees associated with the employee benefits plan. Currently, premiums are withheld from participating employees to help offset the fees associated with offering the employee benefits plan. As of June 30, 2013, the amount of net assets designated as excess premiums withheld was \$4,073.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of General and Administrative Expenses
For the Year Ended June 30, 2013

	Administration	Shalom	NOVA	El Puente	Escuela Verde	Total Before Eliminations	Eliminations	Total After Eliminations
General and Administrative Expenses:								
Salaries - Executive Director	\$ -	\$ 23,079	\$ 23,608	\$ 22,760	\$ 12,841	\$ 82,288	\$ -	\$ 82,288
Salaries - Directors	-	147,750	143,006	144,962	196,042	631,760	-	631,760
Salaries - Office	-	62,143	24,483	23,271	12,446	122,343	-	122,343
Related payroll taxes	-	19,150	15,435	15,749	15,588	65,922	-	65,922
Dental fund	7,230	2,213	-	1,794	2,214	13,451	-	13,451
Fringe benefits	23,088	41,056	39,363	22,174	37,957	163,638	-	163,638
Profit-sharing	-	2,330	1,895	1,898	2,214	8,337	-	8,337
Office expense	1,251	3,675	5,618	9,259	51	19,854	-	19,854
Liability insurance	-	16,971	11,738	12,616	8,621	49,946	-	49,946
Legal and accounting	8,025	8,188	8,188	15,868	2,188	42,457	-	42,457
Telephone	181	5,700	4,102	4,696	1,258	15,937	-	15,937
Internet access	-	-	-	-	6,828	6,828	-	6,828
Postage	363	988	754	-	-	2,105	-	2,105
Interest expense	-	120	179	728	697	1,724	-	1,724
General expense	-	248	4,802	996	-	6,046	-	6,046
Bad debt expense	-	-	-	559	-	559	-	559
Contract administrative fees	-	20,441	21,598	-	9,330	51,369	-	51,369
Equipment lease	-	6,584	10,367	9,226	-	26,177	-	26,177
Vehicle expense	-	-	-	-	10,250	10,250	-	10,250
Depreciation	8,024	-	2,021	1,656	-	11,701	-	11,701
Total general and administrative expenses	\$ 48,162	\$ 360,636	\$ 317,157	\$ 288,212	\$ 318,525	\$ 1,332,692	\$ -	\$ 1,332,692

See Independent Auditors' Report

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

<u>Federal Awards</u>	<u>CFDA</u>	<u>Grant Amount</u>
U.S. Department of Education:		
Flow through Milwaukee Public Schools:		
Milwaukee Public Schools program	84.xxx	\$ 1,901,794
Flow through Wisconsin Department of Public Instruction:		
Title I Grants to Local Educational Agencies	84.010	5,322
Special Education – Grants to States	84.027	5,850
ESEA Title V-B Charter Schools	84.282	312,461
Total Federal Awards		<u>\$ 2,225,427</u>

See Independent Auditors' Report

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

General

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state financial awards of the Organization. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded as liabilities are incurred. The Organization applies all FASB pronouncements in accounting and reporting.

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Trans Center for Youth, Inc.
Milwaukee, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Trans Center for Youth, Inc. as of June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trans Center for Youth, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trans Center for Youth, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Riley, Pomeroy & Bent LLP

November 26, 2013
Milwaukee, Wisconsin

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Trans Center for Youth, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited Trans Center for Youth, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Trans Center for Youth, Inc.'s major federal programs for the year ended June 30, 2013. Trans Center for Youth, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Trans Center for Youth, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trans Center for Youth, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Trans Center for Youth, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Trans Center for Youth, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Trans Center for Youth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Trans Center for Youth, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trans Center for Youth, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "R. P. + B. LLP". The signature is written in a cursive, flowing style.

November 26, 2013
Milwaukee, Wisconsin

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

There are no prior year audit findings.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| b. Material weaknesses identified? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| b. Material weaknesses identified? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.xxx	Milwaukee Public Schools Program
84.282	ESEA Title V-B Charter Schools

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

B. Financial Statement Findings

None.

C. Federal Award Findings and Questioned Costs

None.