



Attachment O

Certified financial audit and management letter for existing schools with audits. For start-ups and schools without audits, an engagement letter as indicated under "Audits" guidelines. (Also CPA reports)

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TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended June 30, 2010

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Certified Public Accountants & Consultants

Celebrating Over 100 Years of Client Service

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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 statement of financial position of Trans Center for Youth Inc., (a not-for-profit organization) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2010 on our consideration of Trans Center for Youth, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Trans Center for Youth, Inc. taken as a whole. The accompanying schedule of supplementary information and the accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Reilly, Penner + Benton LLP".

October 4, 2010
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2010

ASSETS	Ei				Total
	Administration	Shalom	NOVA	Puente	
Current Assets:					
Cash and equivalents	\$ 88,662	\$ 1,546	\$ 1,398	\$ 1,301	\$ 429,177
Accounts receivable	630	-	-	-	630
Prepaid insurance	-	11,439	5,829	8,660	25,928
Prepaid rent	-	-	-	-	900
Other prepaids	2,530	-	847	-	3,377
Total current assets	91,822	12,985	8,074	9,961	430,077
Property and Equipment:					
Cost	206,713	310,133	128,281	143,718	788,845
Less: Accumulated depreciation	(68,857)	(270,925)	(118,177)	(132,864)	(590,823)
Net property and equipment	137,856	39,208	10,104	10,854	198,022
Other Assets:					
Security deposits	-	-	-	10,777	1,000
Total assets	\$ 229,678	\$ 52,193	\$ 18,178	\$ 31,592	\$ 431,077
					\$ 762,718
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 57,747	\$ -	\$ -	\$ -	\$ 4,115
Due to/from other funds	(134,000)	129,000	5,000	-	-
Total current liabilities	(76,253)	129,000	5,000	-	4,115
Unrestricted Net Assets:					
Undesignated	222,134	(76,807)	13,178	31,592	190,097
Designated	83,797	-	-	-	83,797
Temporarily restricted	-	-	-	-	426,962
Total net assets	305,931	(76,807)	13,178	31,592	426,962
Total liabilities and net assets	\$ 229,678	\$ 52,193	\$ 18,178	\$ 31,592	\$ 431,077
					\$ 762,718

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, 2010

	Administration	Sialom	NOVA	EI	CITIES	TALC	Total Before	Eliminations	Total After
			Puente	Project		Eliminations			Eliminations
Unrestricted Net Assets:									
Revenue:									
Fees from MPS	\$ -	\$ 806,347	\$ 806,347	\$ 808,047	\$ 32,959	\$ -	\$ 2,453,700	\$ -	\$ 2,453,700
Reimbursements from MPS	-	810	-	2,955	-	-	3,765	-	3,765
in-kind contributions	-	91,982	91,982	91,982	-	-	275,946	-	275,946
Private grants	-	-	4,000	-	-	-	4,000	-	4,000
Contributions	11,092	834	2,881	139	-	-	14,946	-	14,946
Rent Income	24,000	-	-	-	-	-	24,000	(24,000)	-
Fund-raising	-	100	-	2,775	-	-	2,875	-	2,875
Interest Income	191	-	-	-	-	4,672	4,863	-	4,863
insurance fund reimbursements	19,840	-	-	-	-	-	19,840	-	19,840
Denial fund reimbursements	10,804	-	-	-	-	-	10,804	-	10,804
Forgiveness of debt	-	-	-	-	152,620	50,000	202,620	(202,620)	-
Miscellaneous Income	65	2,347	3,424	2,428	1,033	-	9,295	-	9,295
Satisfaction on program restrictions	34,232	-	-	-	-	889,701	923,933	-	923,933
Total revenue	100,224	902,420	908,634	908,324	186,612	944,373	3,950,587	(226,620)	3,723,967

Expenses:									
Operating expenses:									
Salaries - teachers/coordinators	-	361,881	261,129	270,080	-	77,686	970,576	-	970,576
Salaries in-kind	-	91,982	91,982	91,982	-	-	275,946	-	275,946
Related payroll taxes	-	32,418	21,903	22,640	-	9,783	86,744	-	86,744
Fringe benefits	-	58,828	43,299	34,323	-	8,408	144,858	-	144,858
Dental fund	-	-	2,572	2,631	-	786	5,989	-	5,989
Profit sharing	-	10,601	7,624	7,719	-	2,342	28,286	-	28,286
Supplies	338	3,261	3,961	1,384	-	57,101	66,045	-	66,045
Contracted services	980	5,490	-	-	-	287,900	294,370	-	294,370
Extracurricular activities	-	7,752	18,927	4,105	-	-	30,784	-	30,784
Food	-	-	-	-	-	24	24	-	24
Transportation	-	5,696	13,785	29,363	1,875	-	50,719	-	50,719
Fund-raising	-	-	-	861	-	-	861	-	861
Membership	-	3,257	102	1,287	-	10,188	14,834	-	14,834
Grants distributed	-	-	-	-	-	325,000	325,000	-	325,000
Ed/visions expenses	-	-	-	-	2,323	-	2,323	-	2,323
Other grant expenses	-	1,250	5,985	5,745	-	-	12,980	-	12,980
Website development	-	-	-	-	-	169	169	-	169
Bank charges	-	1,320	439	473	15	22	2,289	-	2,289
Total operating expenses	1,318	583,536	471,708	472,593	4,213	779,409	2,312,777	-	2,312,777

TRANS CE R YOUTH, INC.
Milwaukee, Wisconsin

Statement of Activities
For the Year Ended June 30, 2010

	Administration	Shalom	NOVA	EI Puente	CITIES Project	TALC	Total Before Eliminations	Eliminations	Total After Eliminations
Expenses: (Continued)									
Occupancy expenses:									
Rent	\$ -	\$ 24,000	\$ 104,030	\$ 69,883	\$ -	\$ 11,800	\$ 209,713	\$ (24,000)	\$ 185,713
Utilities and building	-	34,890	14,000	4,669	5,792	516	59,867	-	59,867
Depreciation - leasehold improvements	-	5,835	-	1,000	-	-	6,835	-	6,835
Equipment	-	9,458	3,828	193	-	1,672	15,151	-	15,151
Repairs and maintenance	-	8,203	-	17,204	-	540	25,947	-	25,947
Total occupancy expenses	-	82,386	121,858	92,949	5,792	14,528	317,513	(24,000)	293,513
General and administrative expense	251,459	254,469	320,023	350,415	88,293	150,436	1,415,095	(202,620)	1,212,475
Total expenses	252,777	920,391	913,589	915,957	98,298	944,373	4,045,385	(226,620)	3,818,765
Change in unrestricted net assets	(152,553)	(17,971)	(4,955)	(7,033)	88,314	-	(94,798)	-	(94,798)
Temporarily Restricted Net Assets:									
Satisfaction on program restrictions	(34,232)	-	-	-	-	(889,701)	(923,933)	-	(923,933)
Change in temporarily restricted net assets	(34,232)	-	-	-	-	(889,701)	(923,933)	-	(923,933)
Net Assets - Beginning of Year	492,716	(58,836)	18,133	39,225	(88,314)	1,316,663	1,719,587	-	1,719,587
Net Assets - End of Year	\$ 305,931	\$ (76,807)	\$ 13,178	\$ 31,592	\$ -	\$ 426,962	\$ 700,856	\$ -	\$ 700,856

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, 2010

Cash Flows from Operating Activities:	
Change in net assets	\$ (1,018,731)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	27,079
Loss on disposal of equipment	61,983
Change in assets and liabilities:	
Accounts receivable	22,887
Prepaid expenses	27,672
Accrued interest	14,442
Security deposits	(798)
Unearned revenue	(32,960)
Accounts payable	<u>(42,933)</u>
Total adjustments	<u>77,372</u>
Net cash used in operating activities	<u>(941,359)</u>
 Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(91,440)</u>
 Change in cash and equivalents	 (1,032,799)
 Cash and Equivalents, beginning of year	 <u>1,554,883</u>
 Cash and Equivalents, end of year	 \$ <u><u>522,084</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, 2010

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.

The CITIES (an acronym for Communities Implementing Transformations in Education and Society) Project high school became a charter school on July 1, 2004. The CITIES Project high school mission will ensure its students meet all states and Milwaukee Public Schools' academic standards and graduate from high school empowered to take responsibility for themselves, and the sustainability of their communities through active citizenship. The charter with MPS was not renewed for the 2009-10 year.

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.

Technical Assistance & Leadership Center (TALC) began in 2003. TALC's mission is to advocate for education policy supportive of a New Vision of Public Education, particularly small school options, to develop new leadership for small schools, to provide technical assistance to educators creating new small schools or seeking to improve existing ones, and to document and communicate these efforts to maximize the impact of small school strategies, diversity, and choice for improving education. TALC expects to close as of June 30, 2011, by which time all of the funds from the Gates Foundation grant will be expended.

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.

Statement of Cash Flows

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

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Receivables

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

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 and betterments are capitalized and expenditures for repairs and maintenance are expensed when paid.

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.

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, 2007.

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.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (October 4, 2010). There were no subsequent events that required recognition or disclosure.

2. Cash and Equivalents

	<u>Admin.</u>	<u>Shalom High School</u>	<u>NOVA</u>	<u>El Puente</u>	<u>TALC</u>	<u>Total</u>
Cash consists of the following:						
Checking account, noninterest-bearing	\$ -	\$ 1,546	\$ 1,398	\$ 1,301	\$ 429,177	\$ 433,422
Money market account:						
Operating	88,662	-	-	-	-	88,662
Total	<u>\$ 88,662</u>	<u>\$ 1,546</u>	<u>\$ 1,398</u>	<u>\$ 1,301</u>	<u>\$ 429,177</u>	<u>\$ 522,084</u>

3. Concentration of Risk

The Organization maintains a cash balance at one financial institution. The account at this institution is insured by the Federal Insurance Corporation up to \$250,000. At various times during the year, the Organization's cash balance may have exceeded the insured amount.

The Organization received a majority of its support and revenue from one source in 2010. MPS provided approximately 97% of the support and revenue for the Organization.

4. Profit-Sharing Plan

The Organization makes defined contributions of 3% of compensation to a profit-sharing plan for eligible employees. The following is a summary of contributions made to the plan:

Shalom High School	\$ 15,131
NOVA	13,558
El Puente	14,416
TALC	4,436
Total	<u>\$ 47,541</u>

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2010
(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	\$ 17,333	\$ 2,667
Improvements	157,448	22,259	135,189
Vehicle	29,265	29,265	—
Subtotal	206,713	68,857	137,856
Shalom High School:			
Leasehold improvements	213,283	174,075	39,208
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	270,925	39,208
NOVA:			
Leasehold improvements	2,064	2,064	—
Furniture and fixtures	19,868	19,868	—
Equipment	90,321	80,217	10,104
Vehicles	16,028	16,028	—
Subtotal	128,281	118,177	10,104
El Puente:			
Leasehold improvements	10,000	10,000	—
Furniture and fixtures	11,963	6,167	5,796
Equipment	79,176	74,118	5,058
Vehicles	42,579	42,579	—
Subtotal	143,718	132,864	10,854
Total	\$ 788,845	\$ 590,823	\$ 198,022

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, 2010, rent expense amounted to \$24,000.

During the year, Shalom High School was obligated on a photocopier lease. For the year ended June 30, 2010, lease expense for the photocopier amounted to \$5,271.

NOVA subleases its facilities, located at 2320 West Burleigh Street, from Milwaukee Public Schools, a related party. The lease term is annual. For the year ended June 30, 2010 rent expense amounted to \$104,030.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

6. Operating Lease Commitments (Continued)

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. For the year ended June 30, 2010, NOVA incurred \$7,653 in related lease charges.

El Puente leases its facilities, located at 1329 W. National Avenue from an unrelated party. The lease term is annual. For the year ended June 30, 2010 rent expense amounted to \$69,883.

El Puente is currently leasing two photocopiers under noncancelable operating leases for five years commencing in January 2006 and July 2006. For the year ended June 30, 2010, El Puente incurred \$6,941 in related lease charges.

TALC leases its facilities, located at 270 E. Highland Avenue, from a unrelated party. The lease term expires August 31, 2010. For the year ended June 30, 2010, rent expense amounted to \$11,800.

TALC is currently leasing a photocopier under a noncancelable operating lease for five years commencing in September 2005. For the year ended June 30, 2010, TALC incurred \$6,517 in related lease charges.

Future minimum lease payments are as follows:

Year Ended June 30,	Shalom High School	NOVA	El Puente	TALC	Total
2011	\$ 24,000	\$ 129,237	\$ 82,150	\$ 2,735	\$ 238,122
2012	---	7,140	---	---	7,140
2013	---	7,140	---	---	7,140
Total	\$ 24,000	\$ 143,517	\$ 82,150	\$ 2,735	\$ 252,402

7. Donated Equipment, Services and Materials

Donated equipment, services and materials are recorded at the estimated market value and consist of the following:

Salaries – Teachers \$ 275,946

8. Line of Credit

The Organization has a line of credit with Johnson Bank for up to \$150,000. 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, 2010.

9. Board Designated Net Assets

Trans Center for Youth, Inc. has a self-funded dental insurance plan. As of June 30, 2010, the amount of net assets designated as dental fund reserve was \$68,900. 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, 2010, the amount of net assets designated as excess premiums withheld was \$14,897.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

TALC – 2010-11 expenses	\$	<u>426,962</u>
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11. Related Party

The Organization contracted for bank services with a firm associated with a director on its board.

Supplementary Schedule of General and Administrative Expenses
For the Year Ended June 30, 2010

	Administration	Shalom	NOVA	El Puente	CITIES Project	TALC	Total Before Eliminations	Eliminations	Total After Eliminations
General and Administrative Expenses:									
Salaries - Executive Director	\$ -	\$ 20,549	\$ 20,549	\$ 20,549	\$ -	\$ 41,098	\$ 102,745	\$ -	\$ 102,745
Salaries - Directors	6,431	77,737	130,213	141,457	4,167	-	360,005	-	360,005
Salaries - Office	-	52,728	47,016	61,248	-	28,702	189,694	-	189,694
Related payroll taxes	4,424	12,908	16,024	17,997	10,934	8,395	70,682	-	70,682
Dental fund	9,295	-	1,948	2,175	-	693	14,111	-	14,111
Fringe benefits	6,575	24,563	32,794	28,372	8,278	7,413	107,995	-	107,995
Profit-sharing	-	4,530	5,933	6,698	-	2,094	19,255	-	19,255
Office expense	629	4,966	5,182	10,302	-	9,401	30,480	-	30,480
Liability insurance	14	15,207	10,275	10,247	-	2,283	38,026	-	38,026
Legal and accounting	10,023	4,780	4,780	4,780	2,500	44,394	71,257	-	71,257
Research materials and consulting	-	-	-	-	-	2,675	2,675	-	2,675
Telephone	238	6,448	3,377	4,462	431	1,571	16,527	-	16,527
Internet access	-	-	-	-	-	1,163	1,163	-	1,163
Dues and subscriptions	133	-	-	-	-	-	133	-	133
Postage	367	528	1,370	2,348	-	554	5,167	-	5,167
General expense	1,502	2,771	7,414	3,256	-	-	14,943	-	14,943
Forgiveness of debt - inter-agency debt	202,620	-	-	-	-	-	202,620	(202,620)	-
Loss on disposal of equipment	-	-	-	-	61,983	-	61,983	-	61,983
MPS administrative fee	-	20,033	20,033	20,033	-	-	60,099	-	60,099
Miscellaneous	5,426	-	-	-	-	-	5,426	-	5,426
Equipment lease	-	5,271	7,653	6,941	-	-	19,865	-	19,865
Vehicle expense:									
Depreciation	3,782	-	-	-	-	-	3,782	-	3,782
Depreciation	-	1,450	5,462	9,550	-	-	16,462	-	16,462
Total general and administrative expenses	\$ 251,459	\$ 254,469	\$ 320,023	\$ 350,415	\$ 88,293	\$ 150,436	\$ 1,415,095	\$ (202,620)	\$ 1,212,475

TRANS CENTER FOR YOUTH, INC. ...
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Awarding Agency Pass-through Agency Award Description:	CFDA	Receipts	Disbursements/ Expenditures
U.S. Department of Education:			
Flow through Milwaukee Public Schools program	84.xxx	\$ 2,452,890	\$ 2,452,890
Flow through Milwaukee Public Schools-ARRA funding	84.389	810	810

Notes to Schedule of Expenditures of Federal and State Awards

General

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state 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 in the schedule.

Basis of Accounting

The accompanying schedules 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.

Richard A. Raymaker
S. C. Barnay
St. R. Volz
D. R. Brophay
Thomas G. Wieland
Michael W. Van Wegenen



Reilly, Penner & Benton LLP
Certified Public Accountants & Consultants

Celebrating Over 100 Years of Client Service

David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffart

**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**

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

We have audited the financial statements of Trans Center for Youth, Inc. (a not-for-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 4, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trans Center for Youth, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trans Center for Youth, Inc.'s internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. It is reported as item FY 2010-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trans Center for Youth, Inc.'s financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Trans Center for Youth, Inc. in a separate letter dated October 4, 2010.

Trans Center for Youth, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response, and accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, management, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ridley, Pen + Penter LLP

October 4, 2010
Milwaukee, Wisconsin

Richard A. Raymaker
S. C. Barney
St. R. Volz
D. R. Brophy
Thomas G. Wieland
Michael W. Van Wagenen



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**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Trans Center for Youth, Inc. (a not-for-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Trans Center for Youth, Inc.'s management. Our responsibility is to express an opinion on Trans Center for Youth, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination on Trans Center for Youth, Inc.'s compliance with those requirements.

In our opinion, Trans Center for Youth, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Trans Center for Youth, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Organization'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ridley Ann Genter LLP

October 4, 2010
Milwaukee, Wisconsin

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Item FY 2009-1:

Criteria: Proper internal controls require that the financial statements presented to the governing body reasonably present the financial position and activity of the Organization.

Condition: One or more audit adjustments were required to prevent the Organization's financial statements from being materially misstated.

Cause: Controls may be inadequate to ensure the proper recording of all of the Organization's financial transactions in accordance with Generally Accepted Accounting Principles (GAAP).

Effect: This condition represents a significant deficiency in internal controls.

Recommendation: We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

Organization Response: The Organization has subcontracted with a CPA to perform the accounting functions.

Status: No change.

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditors' report issued? | Unqualified |
| 2. Internal control over financial reporting: | |
| A. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 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? | No |
| b. Material weaknesses identified? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 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

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

TRANS CENTER FOR YOUTH, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

B. Financial Statement Findings

Item FY 2010-1:

Criteria: Proper internal controls require that the financial statements presented to the governing body reasonably present the financial position and activity of the Organization.

Condition: One or more audit adjustments were required to prevent the Organization's financial statements from being materially misstated.

Cause: Controls may be inadequate to ensure the proper recording of all of the Organization's financial transactions in accordance with Generally Accepted Accounting Principles (GAAP).

Effect: This condition represents a significant deficiency in internal controls.

Recommendation: We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

Organization Response: The Organization has subcontracted with a CPA to perform and review the necessary adjustments required to prevent the Organization's financial statements from being materially misstated.

C. Federal Award Findings and Questioned Costs

None noted.

Richard A. Raymaker
Steven C. Barney
Steven R. Volz
Daniel R. Brophy
Thomas G. Wieland
Michael W. Van Wagenen



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Certified Public Accountants & Consultants

Celebrating Over 100 Years of Client Service
Independent Accountant's Report
on Applying Agreed-Upon Procedures

David A. Grotkin
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Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert

Trans Center for Youth, Inc.
and City of Milwaukee

We have performed the procedures enumerated below, which were agreed to by Trans Center for Youth, Inc. and the City of Milwaukee, solely to assist you with the application for a new charter school. Trans Center for Youth, Inc. management is responsible for the budget and internal control policies and procedures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain budget and related assumptions for the year ended June 30, 2013.
2. Obtain planned internal control policies and procedures summary
3. Read and discussed the budget and related assumptions with management for reasonableness
4. Read and discussed the planned internal control policies and procedures summary with management for reasonableness
5. Read and discussed the business plan with management.

We believe that the business plan and the budgets for the three different attendance levels for the year ended June 30, 2013 are reasonable. In addition, the planned internal control policies and procedures appear reasonable for an organization this size.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the budget. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of Trans Center for Youth, Inc. and the City of Milwaukee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Reilly, Penner & Benton LLP".

Milwaukee, Wisconsin
January 31, 2011

Milwaukee, Wisconsin
414-271-7800

Middleton, Wisconsin
608-829-3838

McFarland, Wisconsin
608-838-9828

Milwaukee Neighborhood
 Secondary School
 Projected Monthly Cash Flow 2012-2013
 (Based on 64 students)

Revenue	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Total
Charter per pupil reimb	0.00		0.00	124400.00		124400.00		124400.00				124400.00	497600.00
Expenses													
Payroll Salaries	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	17969.00	215628.00
Benefits	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	5750.00	69000.00
Contracted Services		2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	2500.00	27500.00
Extracurricular Activities		909.00	909.00	909.00	909.00	909.00	909.00	909.00	909.00	909.00	909.00	910.00	10000.00
Staff Development		600.00									500.00		1100.00
Transportation/Misc.		1003.00	1003.00	1003.00	1003.00	1003.00	1003.00	1003.00	1003.00	1003.00	1003.00	1002.00	11032.00
Instructional Supplies		2000.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	0.00	5600.00
Technology	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	4800.00
Printing/Copying	500.00	1000.00	250.00	250.00	250.00	200.00	250.00	250.00	250.00	250.00	250.00	1000.00	4700.00
Occupancy Cost	6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6666.00	6666.00	6666.00	6666.00	80000.00
Building costs	5000.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00		10000.00
Telephone	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	4200.00
Accounting/Audit	90.00	90.00	10090.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	11080.00
Office/General Supplies	1000.00	400.00	360.00	360.00	360.00	360.00	360.00	360.00	360.00	360.00	360.00	360.00	5000.00
Lease Equipment	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	10008.00
Insurance	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	18000.00
Authorizer fee				2488.00		2488.00		2488.00				2488.00	9952.00
Total Expense	40060.00	42472.00	49482.00	41970.00	39482.00	41920.00	39482.00	41970.00	39481.00	39481.00	39981.00	41819.00	497600.00
Revenue Less Expenses	-40060	-42472	-49482	82430	-39482	82480	-39482	82430	-39481	-39481	-39981	82581	0.00

Note:

Operating expenses will be covered by a line of credit secured through Johnson Bank

Milwaukee Neighborhood
Secondary School
Projected Monthly Cash Flow 2012-2013
(Based on 54 students - 15% below projected levels)

Revenue	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Total
Charter per pupil reimb	0.00		0.00	104962.50		104962.50		104962.50				104962.50	419850.00
Expenses													
Payroll Salaries	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	14366.25	172395.00
Benefits	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4597.00	4598.00	55165.00
Contracted Services		2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	22000.00
Extracurricular Activities		818.00	818.00	818.00	818.00	818.00	818.00	818.00	818.00	818.00	818.00	820.00	9000.00
Staff Development		500.00									360.00		860.00
Transportation/Misc.		885.00	891.00	891.00	891.00	891.00	891.00	891.00	891.00	891.00	891.00	891.00	9795.00
Instructional Supplies		1000.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	0.00	4600.00
Technology		400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	4800.00
Printing/Copying		500.00	250.00	250.00	250.00	200.00	250.00	250.00	250.00	250.00	250.00	1000.00	4200.00
Occupancy Cost		6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6666.00	6666.00	6666.00	6666.00	80000.00
Building Costs		3000.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	6850.00
Telephone		250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3000.00
Accounting/Audit		90.00	10090.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	11080.00
Office/General Supplies		1000.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	2100.00
Lease Equipment		834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	834.00	10008.00
Insurance		1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	1300.00	15600.00
Authorizer fee				2099.25		2099.25		2099.25				2099.25	8397.00
Total Expense	33004.25	34657.25	43313.25	35412.50	33313.25	35362.50	33313.25	35412.50	33312.25	33312.25	33672.25	35764.50	419850.00
Revenue Less Expenses	-33004	-34657	-43313	69550	-33313	69600	-33313	69550	-33312	-33312	-33672	69198	0.00

Note:

Operating expenses will be covered by a line of credit secured through Johnson Bank

Milwaukee Neighborhood
Secondary School
Projected Monthly Cash Flow 2012-2013
(Based on 45 students - 30% below projected levels)

Revenue	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Total
Charter per pupil reimb	0.00		0.00	87468.75		87468.75		87468.75				87468.75	349875.00
Expenses													
Payroll Salaries	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	12513.50	150162.00
Benefits	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	4000.00	48000.00
Contracted Services		1727.25	1727.25	1727.25	1727.25	1727.25	1727.25	1727.25	1727.25	1727.25	1727.25	1727.50	19000.00
Extracurricular Activities		270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00	300.00	3000.00
Transportation/Misc.		671.50	671.50	671.50	671.50	671.50	671.50	671.50	671.50	671.50	671.50	670.50	7385.50
Instructional Supplies		800.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00		3050.00
Technology		200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2400.00
Printing/Copying		500.00								250.00		500.00	1250.00
Occupancy Cost		6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6667.00	6666.00	6666.00	6666.00	6666.00	80000.00
Telephone		250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3000.00
Accounting/Audit		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	11080.00
Officer/General Supplies		250.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1350.00
Lease Equipment		300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3600.00
Insurance		800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	9600.00
Authorizer fee				1749.38		1749.38		1749.37				1749.37	6997.50
Total Expense	25570.50	28389.25	37839.25	29588.63	27839.25	29588.63	27839.25	29588.62	27838.25	28088.25	27838.25	29866.87	349875.00
Revenue Less Expenses	-25571	-28389	-37839	57880	-27839	57880	-27839	57880	-27838	-28088	-27838	57602	0.00

Note:
Operating expenses will be covered by a line of credit secured through Johnson Bank