

**City of Milwaukee – Charter Schools  
Report of Management Oversight Consultant  
For the School Year Ended June 30, 2013**

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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, King's Academy, Milwaukee Academy of Science, CEO Leadership Academy, Milwaukee Math and Science Academy), Escuela Verde, and the North Point Lighthouse Charter School, which have contracted with the City of Milwaukee for the 2012-2013 school year, and have issued our report herein. This report is based on a review of and limited testing of the policies and procedures employed by each school. We have not performed an audit of these schools, however, we have performed sufficient procedures to get an adequate understanding of each school's management policies and procedures. Based on these procedures, we are issuing this report of each school's management activities.

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

*M.L. Tharps & Associates, LLC*

March 7, 2014

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

M. L. Tharps & Associates 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 schools financial processes and/or controls over significant financial systems.
- b) Monthly and quarterly financial reports submitted by the schools were reviewed and analyzed to monitor the financial situation of the school on an ongoing basis.
- c) Obtained a copy of the school's annual audit reports. MLTA reviewed the reports for propriety, noting any findings reported by the auditor, and that the reports were 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.
- d) If necessary, additional follow-up is conducted with schools where problems have been identified.

## **Reports on Charter Schools**

## **Downtown Montessori Academy**

Downtown Montessori Academy (DMA) was one of the two charter schools initially established by the City of Milwaukee. DMA was established in The charter school was established in 1998, and in addition to the charter school, DMA also operates a child care facility. The 2012-13 school year was DMA's fifteenth 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, 2013.

### **Current Year Financial Results**

DMA, as it has over the past several years, has steadily increased its enrollment in both the charter school and day care. The 2012-13 increase in enrollment resulted in a \$200,000 increase in overall revenue. This increase, on top of the prior year \$275,000 increase, resulted in a 40% increase in revenues over the past 2 years.

Per review of the periodic financial statements and the year-end audited financial statements, DMA once again performed very well financially in the 2012-13 fiscal year. Although expenses increased over 2011-12, the increase was just slightly more than the increase in revenue, which still resulted in the school increasing its unrestricted net assets by \$200,000 for the year.

### **Current Financial Position**

DMA's year-end cash position increased by \$165,000 to \$638,000 from the prior year. There are no concerns regarding the current financial position of the school, as past experience with the school indicates that they are very fiscally-minded and are well aware of their budget limitations. The ratio of cash and receivables to current liabilities is excellent at a 4 to 1 ratio, consistent with the prior year. Unrestricted net assets as of June 30, 2013 are \$781,000. The board has designated approximately \$200,000 of the unrestricted net assets for the building expansion as well as additional programming costs.

During 2011-12, the school purchased the building it was previously renting. The school took out a \$525,000 mortgage note payable over 15 years to finance the purchase of the building. During 2012-13, DMA began an expansion project and has entered into a \$850,000 construction loan to be repaid over 15 years once construction was completed. No issues regarding repayment of those loans are expected.

### **Review of Annual Audit**

The annual audit for Downtown Montessori Academy was completed as of November 1, 2013 by Reilly Penner & Benton, LLP, a change in auditors from the previous year. Per review of the report, there were no findings related to the financial statements or internal controls. A prior year finding identifying a material weakness in internal control over financial reporting was resolved and cleared. 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 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 2012-13 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.

## **Central City Cyberschool**

Central City Cyberschool (CCC) was established as a charter school in 1999, and has completed its fourteenth year of operations in 2013. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2013.

### **Current Year Financial Results**

Similar to the prior year, CCC showed an increase in revenues for 2012-13 over the prior year of \$275,000. Expenses only increased by \$140,000 over the prior year, further improving its financial position. Over the past 2 years, the school has expanded its unrestricted net asset balance by 65%.

Per review of the period statements during the year and the audited financial statements, the school once again had excellent financial results for 2012-13 fiscal year. CCC showed an increase in net assets of \$477,000 on revenues of \$4.35 million for the fiscal year. Cash flow was excellent during the fiscal year.

### **Current Financial Position**

Over the past 2 fiscal years, CCC has become very stable financially. The school continues to show a very solid unrestricted net asset balance, which is now \$2.1 million. The ratio of cash and receivables to current payables (excluding notes payable) is now 3:1, which is double that ratio from 2 years ago.

The school continues to have a large long-term debt obligation (approximately \$1.3 million). The school has been able to pay on this balance without financial hardship, and should be able to continue to do so in the future. The school has approximately 2 years remaining on this long-term debt obligation.

### **Review of Annual Audit**

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2013 was completed as of November 15, 2013 by Wm. C. Murphy, CPA. The audit was timely submitted in accordance with the submission deadline. Per review of the report, there were no financial statement, internal control or compliance findings noted by the auditor. 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 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 2012-13 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, 2013, the school has a solid financial management system in place. The school is in very good financial condition, with good cash flow. The school is in compliance with the financial management provisions of its contract with the City of Milwaukee.

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

DLH Academy was established as a charter school in 2002, and has completed its eleventh year of operations in 2013. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2013.

### **Current Year Financial Results**

After three consecutive years of deficits, DLH Academy has now shown surpluses in two consecutive years and has reversed course. The current fiscal year resulted in over a 50% increase in unrestricted net assets. Revenue increased by over \$500,000 of which almost all was from an increase in grant revenue, which included over \$350,000 from a school improvement grant from DPI. The increase in expenses over the prior year was consistent with the increase in grant revenue, resulting in the surplus.

Per review of the audited financial statements, the school showed an increase in unrestricted net assets of \$139,000 on revenues of \$3.3 million for the fiscal year. However, much of that increase was due to the additional fixed assets (furniture and equipment) purchased with the school improvement grant. The liquid asset position of the school remained consistent with the prior year. Cash flow appeared adequate during the fiscal year.

### **Current Financial Position**

Currently, the school has unrestricted net assets of \$392,000, a net cash position of approximately \$200,000 and a 1.4:1 ratio of cash and receivables to current liabilities, down from 1.9:1 in the prior year. It should be noted, however, that even though the ratio decreased, the actual dollar amount of the surplus from those line items remained consistent. Year-end cash balances totaled approximately \$215,000, and the school had receivables of \$519,000. Current liabilities totaled \$534,000, thus resulting in the positive ratio. The school does maintain a \$100,000 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, 2013.

### **Review of Annual Audit**

The annual audit for DLH Academy for the fiscal year ended June 30, 2013 was completed as of September 19, 2013 by the firm of Hau and Associates, S.C. Per review of the report, there were no financial statement, internal control or compliance findings noted by the auditor. 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 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 2012-13 school year.

## **Conclusion**

Based on our review of the management policies, procedures, compliance and the annual audit of the DLH Academy as of June 30, 2013 it appears that the organization continues to have excellent procedures in place to ensure a sufficient financial management system. The school appears to be steadily improving its financial position, as evidenced through its increasing net asset balance. As of June 30, 2013, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **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 thirteenth year of operations in 2013. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2013.

### **Current Year Financial Results**

After showing a \$435,000 deficit in the prior year, MAS showed a small surplus for the current year. Total revenue remained consistent, however, unrestricted revenues decreased by \$500,000. The school has begun a capital campaign, in which it has received over \$500,000 in promises to give and cash contributions. MAS was able to decrease expenses significantly in the current year to offset the loss of unrestricted revenue, resulting in the slight surplus.

Per review of the annual audit, the school showed a deficit for the year, showing an unrestricted net asset increase of \$15,000 on unrestricted revenues of \$9.7 million, down from \$10.2 million in the prior year. This decrease in revenue was due to a decrease in enrollment from the 2011-12 school year. However, the school made up for the \$500,000 decrease in revenue by cutting expenses by \$1 million, resulting in the small increase in unrestricted net assets. In addition, the school continues to maintain a very healthy net asset balance despite the current year deficit.

### **Current Financial Position**

Currently, the school has unrestricted net assets of \$2.1 million, a very solid cash flow position and a 3.5:1 ratio of cash and receivables to current liabilities other than current debt service. Year-end cash balances totaled approximately \$2.1 million, and the school had receivables of \$700,000. Current liabilities other than current debt service total \$810,000, thus resulting in the favorable ratio. As the school has a favorable cash position, they do not have a line of credit.

In June 2005, the Redevelopment Authority of the City of Milwaukee issued bonds in the amount of approximately \$12 million, which in turn, was loaned to the school to purchase, rehabilitate and equip the elementary and high school. This debt is to be repaid over a 30-year period. The balance of this loan is \$11.1 million at June 30, 2013. In addition, as part of the loan covenant, the school is required to maintain cash and investments in a Debt Service Reserve Fund, and a Repair and Replacement Fund. Total cash in these restricted accounts totaled \$1.55 million on June 30, 2013. This balance is in addition to the unrestricted cash of \$2.1 million noted above.

### **Review of Annual Audit**

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2013 was completed as of September 13, 2013 by the firm Schenck, S.C. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards. All prior year findings related to internal controls, reporting and allowable costs have been resolved and the school has implemented a solid internal control system.

### **Other Reporting Requirements**

The school is required under its contract with the City of Milwaukee to provide various monthly 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 2012-13 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, 2013, it appears that the organization now 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, 2013, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **King's Academy**

King's Academy's was established as a City of Milwaukee charter school in 2010, after previously operating as a private school in the Milwaukee Parental Choice Program. This was the school's third 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, 2013.

### **Current Year Financial Results**

Due to an unexpected reduction in pupil FTE, King's Academy, for the first time as a charter school, showed a deficit in 2012-13. Although the school made significant budget adjustments during the year, they were unable to avoid a deficit. As the school had a solid net asset balance after the previous years surpluses, the school was able to use those accumulated surpluses to fund the current year deficit.

Per review of the annual audit, the school showed a decrease in unrestricted net assets of \$92,000 for the year. Revenues totaled \$1.8 million, a \$500,000 decrease from the prior year. \$200,000 of that decrease was from the reduction in pupil FTE, and the remainder were reduction in grant revenues, most notably, the loss of the Implementation Grant, which was available in the schools first two years. The school did reduce expenses by \$200,000, which helped keep the current year deficit reasonable.

### **Current Financial Position**

Currently, the school has unrestricted net assets of \$213,000, and although the school's available cash at year-end, is half of the prior year, they appear to have adequate cash available. Although down from a 4.9:1 ratio last fiscal year, they still have a very solid 3.7:1 ratio of cash and receivables to current liabilities. Year-end cash balances totaled approximately \$65,000, and the school had receivables of \$345,000. Current liabilities total \$111,000, thus resulting in the favorable ratio. The school also currently has no debt service.

The school made significant adjustments to its budget for the following school year to account for a lower student FTE and expects to reverse the 2012-13 deficit in the coming year. Even with the loss, the school maintains a solid financial position as of June 30, 2013.

### **Review of Annual Audit**

The annual audit for the King's Academy for the fiscal year ended June 30, 2013 was completed as of October 30, 2013 by the firm Ritz Holman, LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards. A prior year finding related to the school not maintaining time and effort documentation for all employees, including salaried workers, in accordance with federal requirements was cleared in this audit.

### **Other Reporting Requirements**

The school is required under its contract with the City of Milwaukee to provide various monthly financial reports, as well as providing notice of any significant changes in management or board governance. King's Academy has complied with those reporting requirements for the 2012-13 school year.

### **Conclusion**

Based on our review of the management policies, procedures, compliance and the annual audit of the King's Academy as of June 30, 2013, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. Although the school showed a deficit for the year, management has recognized the need to correct the issue, and has adjusted its budget accordingly. The school appears to be in a solid financial position after its third year as a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **CEO Leadership Academy**

The CEO Leadership Academy was established as a City of Milwaukee charter school in 2011 after previously operating as a Milwaukee Parental Choice Program school. 2012-13 was the school's second 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, 2013.

### **Current Year Financial Results**

CEO Leadership Academy showed a significant improvement in the financial results over the prior year. A sharp increase in contributions to the school, and the schools eligibility for Title I funding contributed to an revenue increase of over \$700,000, a percentage increase of 41% over the prior year. Expenses increased by \$300,000, or 18%, contributing to the favorable result.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$360,000, compared to the prior year decrease of \$50,000. Total revenues for the year increased from \$1.7 million to \$2.4 million. A major component of this was an increase in contributions of \$430,000, and the receipt of \$268,000 in Title I funding. Expenses totaled \$2.1 million, up from \$1.8 million in the prior year, but this increase was much lower than the increase in revenues. Unrestricted net assets were \$466,000, up from \$107,000 in the prior year, a 330% increase.

### **Current Financial Position**

CEO Leadership Academy has dramatically improved its financial position during the 2012-13 fiscal year. As noted above, their unrestricted net assets increased by \$360,000. In addition, its ratio of cash and receivables to current liabilities increased to 2.8:1 from 0.6:1 in the prior year. An optimal ratio for would be 1.5:1 or higher, therefore this ratio indicates a healthy financial position. Year-end cash balances totaled \$221,000, up from just \$11,000 in the prior year and the school had receivables of \$166,000. Current liabilities totaled \$138,000, thus resulting in the favorable ratio. The school has a \$200,000 line of credit of which \$60,000 was outstanding at the end of the prior fiscal year, however, the balance at June 30, 2013 was \$0.

### **Review of Annual Audit**

The annual audit for the CEO Leadership Academy for the fiscal year ended June 30, 2013 was completed as of October 23, 2013 by the firm Ritz Holman, LLP. Per review of the report, a finding was issued that related to the school's segregation of duties, namely the need for a separate review of bank statements and reconciliations by a person who does not write checks and/or make cash deposits. In response to this finding, the school worked with the auditor to come up with a practical solution to this issue. In response, the school now has a separation of the check issuing process, where a different person signs the check, rather than the person who writes the check and reconciles the bank accounts monthly. In addition, the Finance Committee chair now must approve any expenses/credit card charges for the controller.



A prior year finding relating to not maintaining proper time and effort documentation for one employee charged to the state special education program was cleared. 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 financial reports, as well as providing notice of any significant changes in management or board governance. CEO Leadership Academy has complied with those reporting requirements for the 2012-13 school year.

### **Conclusion**

Based on our review of the management policies, procedures, compliance and the annual audit of the CEO Leadership Academy as of June 30, 2013, it appears that the organization has taken the steps to ensure a sufficient financial management system. The response to the audit finding appears to be sufficient to ensure proper segregation of duties. The school appears to be in solid financial position after its second 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.

## **Milwaukee Math and Science Academy**

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2012-13 was the school's second 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, 2013.

### **Current Year Financial Results**

In its second year of operation,, MMSA once again showed solid financial results for the year. The school showed a significant increase in its per-pupil aid, due to a large increase in its enrollment. Per-pupil funding increased by \$500,000 to \$1.75 million, and although there was a decrease in grant revenues, total revenue increased by \$400,000 to \$2.4 million.

Per review of the annual audit, the showed a unrestricted surplus for the year of \$150,000. Although expenses increased over the prior year by \$500,000 to \$2.2 million, the school was still able to end the year with surplus funds. In addition, the school received a \$250,000 grant from the Walton Foundation in 2011-12, of which it has \$133,000 remaining as restricted funds. This will be recognized as revenue in future fiscal years.

### **Current Financial Position**

After its second year of operations, the school has accumulated an unrestricted net asset balance of \$218,000, as well as having the additional \$133,000 of restricted net assets from the Walton Foundation. MMSA has a solid cash flow position and a 1.7:1 ratio of cash and receivables to current liabilities other than loans payable. Year-end cash balances totaled approximately \$267,000, and the school had receivables of \$107,000. Current liabilities other than loan maturities total \$168,000, thus resulting in the favorable ratio. The school also currently has a loan with its management company, Concept Schools, for which it received a cash advance for its first year of operations. That loan matures June 30, 2014, and is expected to be repaid in its entirety during the 2013-14 fiscal year.

### **Review of Annual Audit**

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2013 was completed as of October 23, 2013 by the firm Ritz Holman, LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor and 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 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 2012-13 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, 2013, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school appears to be in good financial position following its second year as a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **Escuela Verde**

Escuela Verde completed its first year of operations as a City of Milwaukee charter school in 2012-13. 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. The Trans Center for Youth, Inc. has been in operation since 1982, previously providing education to at-risk students in the city of Milwaukee. Escuela Verde is its first venture operating a charter school. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2013.

### **Current Year Financial Results**

Escuela Verde for its first year of operations, was able to achieve very positive financial results. Even with a relatively low enrollment, the school was still able to show a significant surplus for the year. Grant and per-pupil revenue for the school totaled only \$830,000 for the year, however the school was able to manage expenses to show a surplus of almost 10% of revenues.

Per review of the annual audit, the school, in its first full year of operations, showed a unrestricted surplus of \$75,000, on revenues of \$833,000 and expenses of \$758,000.

### **Current Financial Position**

After its first full year of operations, the school has unrestricted net assets of \$71,000, a solid ratio of cash and receivables to current liabilities. Year-end cash balances totaled approximately \$29,000, and the school had receivables of \$50,000. Current liabilities totaled only \$8,000, thus resulting in the favorable 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 also is showing a solid financial position, with cash and receivables of \$197,000 and current liabilities of \$23,112. Escuela Verde, and the organization as a whole does not have any outstanding long-term debt, further enhancing its financial position.

### **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, 2013 was completed as of October 9, 2012 by the firm Reilly, Penner & Benton, LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor and 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 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 2012-13 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, 2013, 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 following Escuela Verde's first year as a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **North Point Lighthouse Charter School**

North Point Lighthouse Charter School (North Point) completed its first year of operations as a City of Milwaukee charter school in 2012-13. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2013.

### **Current Year Financial Results**

As is common with many schools in their first year of operations, North Point showed mixed results financially. Due to the costs relating to the startup of the school, and lower than expected enrollment, the school showed a significant deficit for the year. As this was expected, the school obtained a \$460,000 loan from Lighthouse Academies, Inc., to alleviate the effects of this deficit and aid with cash flow.

Per review of the annual audit, the school showed a deficit for the year of \$381,000 for its first full year of operations. Revenues totaled \$1.8 million. Expense totaled \$2.2 million, resulting in the deficit.

### **Current Financial Position**

After its first full year of operations, the school has an unrestricted net deficit of \$447,000. Its ratio of cash and receivables to current liabilities other than loans payable is 0.9:1. Year-end cash balances totaled approximately \$210,000, and the school had receivables of \$107,000. Current liabilities other than debt service totaled \$349,000, thus resulting in the ratio. The school also currently has outstanding loans of \$700,000 to be repaid over then next four years. North Point also has a \$500,000 line of credit with Lighthouse Academies, Inc., available to them for cash flow. The balance on the line of credit was \$0 as of June 30, 2013.

### **Review of Annual Audit**

The annual audit for North Point for the fiscal year ended June 30, 2013 was completed as of December 9, 2013 by the firm SVA Certified Public Accountants, S.C. Although the report was completed after the contract deadline of October 31, the school was granted an extension of time to complete the report. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor and 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 financial reports, as well as providing notice of any significant changes in management or board governance. North Point has complied with those reporting requirements for the 2012-13 school year.

## **Conclusion**

Based on our review of the management policies, procedures, compliance and the annual audit of the North Point Lighthouse Charter School as of June 30, 2013, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. Although the school showed a deficit in its initial year of operation, we believe the school has a framework in place to be a in good financial position going forward. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

## **Recommendation**

Based on our management review, we believe that the school should closely monitor its current and future budget status. Based on the results of the first year of operations, it is imperative that management take the necessary steps to alleviate the accumulated deficit.