

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
with Financial Scorecards
For the 2018-2019 Fiscal Year**

**DRAFT - FOR
DISCUSSION
PURPOSES ONLY**

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To the Members of The City of Milwaukee
Charter School Review Committee

We have completed a review of the management function of the seven charter schools (Downtown Montessori Academy, Central City Cyberschool, DLH Academy, Milwaukee Academy of Science, Dr. Howard Fuller Collegiate Academy, Milwaukee Math and Science Academy and Escuela Verde), which have contracted with the City of Milwaukee for the 2018-2019 fiscal year, and have issued our report herein. This report is based on a review of and limited testing of the policies and procedures employed by each school. We have not performed an audit of these schools, however, we have performed sufficient procedures to get an adequate understanding of each school's management policies and procedures. Based on these procedures, we are issuing this report 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

January 20, 2020

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

M. L. Tharps & Associates (MLTA) developed procedures for reviewing both Charter Schools' management policies and procedures and their compliance with the City of Milwaukee contract. These procedures were developed based on the review of the contracts between the Charter Schools and the City of Milwaukee, the management oversight requirements outlined in the Request for Proposal, and conferences/discussions with the Charter School Review Committee and various City personnel. The procedures are as follows:

- a) MLTA has obtained an understanding of the school's financial processes and/or controls over significant financial systems.
- b) Monthly and quarterly financial reports submitted by the school were reviewed and analyzed to monitor the financial situation of the school on an ongoing basis.
- c) An annual site visit was conducted with management of each school including interviews and discussion of school management policies.
- d) Obtained a copy of the school's annual audit report. MLTA reviewed the report for propriety, noting any findings reported by the auditor, and that the report was in accordance with reporting standards. Financial results and financial position were reviewed to determine the school's ongoing financial propriety, along with comparison with prior years to determine upward or downward trends.
- e) If necessary, additional follow-up was conducted with schools where problems had been identified.

City of Milwaukee – Charter Schools Financial Scorecard Criteria and Scoring

Each school is provided with an annual financial scorecard, which rates the school using 4 criteria - Financial Condition, Financial Reporting & Contract Compliance, Internal Controls, and Sustainability. The following page provides an explanation of the categories and scoring system:

CATEGORY	OBJECTIVES	MAXIMUM SCORE
Financial Condition	<ul style="list-style-type: none"> - Liquidity - ability to pay bills on time - Budgetary Control - ability to control expenses achieve revenues to match expenses - Financial performance - Timely identify major financial events 	50
Financial Reporting & Contract Compliance	<ul style="list-style-type: none"> - Compliance with CSRC reporting requirements 	20
Internal Controls	<ul style="list-style-type: none"> - Internal controls report from auditor and consultant analysis - Timely identify major internal control issues 	20
Sustainability	<ul style="list-style-type: none"> - Long range plan of school - Long term financial health - Long term attractiveness (enrollment trends) 	10
TOTAL		<hr style="width: 100%; border: 0.5px solid black;"/> 100

Reports / Scorecards

Downtown Montessori Academy

Downtown Montessori Academy (DMA) was one of the two charter schools initially established by the City of Milwaukee in 1998. In addition to the charter school, DMA also operates a child care facility. The 2018-19 school year was DMA's twenty-first 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, 2019.

Current Year Financial Results

DMA, as it has over the past several years, continues to show positive financial results in both the charter school and day care. The 2018-19 school year showed revenues of \$2.8 million, or a 7.5% increase from the prior year. Since 2014, the school has increased revenues steadily each year. Expenses from the prior year also increased by approximately \$83,000, or 3%. The school has consistently shown surpluses each year.

Per review of the year-end audited financial statements, DMA once again performed very well financially in the 2018-19 fiscal year. The school continues to show consistent surpluses each year.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$57,372 and related expenses were \$28,027 compared to FY 2018 of \$51,062 and \$33,141, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ 283,520	\$ 168,554	\$ 129,449	\$ 239,631
Revenues	\$2,836,864	\$ 2,638,428	\$ 2,472,404	\$2,347,577
Expenses	\$2,553,344	\$ 2,469,874	\$ 2,342,955	\$2,107,946
Surplus/(Deficit) as a % of Revenues	10%	6%	5%	10%

Current Financial Position

DMA's year-end cash position remained solid, with the school maintaining approximately \$1.1 million in cash at year-end. As has been the case in prior years, there is little concern regarding the financial position of the school, as past experience indicates that they are very fiscally-minded and are well aware of their budget limitations. The ratio of cash and receivables to current liabilities (excluding notes payable) remains excellent at 5 to 1, a slight increase from the prior year. Unrestricted net assets (\$2.0 million) continue to increase and are 61% of yearly revenues as of June 30, 2019. The board has designated approximately \$350,000 of the unrestricted net assets for building improvements as well as additional programming costs.

The school currently has three long-term debt mortgage notes outstanding. Each of these notes are being repaid over a 15 year period. As of June 30, 2019 the balance of those loans totaled \$1.45 million. No issues regarding repayment of those loans are expected.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 1,072,814	\$ 840,195	\$ 618,825	\$ 672,860
Accounts Receivable	\$ 108,122	\$ 95,490	\$ 113,798	\$ 105,939
Liabilities	\$ 1,691,469	\$ 1,834,333	\$ 1,904,718	\$ 1,989,118
Restricted Net Assets	\$ 2,307	\$ 3,251	\$ 3,000	\$ 29,736
Unrestricted Net Assets	\$ 2,021,227	\$ 1,737,707	\$ 1,569,153	\$ 1,439,704
Current Assets to Current Liabilities Ratio	5.05 to 1	3.5 to 1	3.2 to 1	3.6 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	61%	66%	63%	61%

Review of Annual Audit

The annual audit for Downtown Montessori Academy was completed as of October 31, 2019 by Walkowicz, Boczkiewicz & Co., S.C. Per review of the report, there were no findings in internal control or compliance, and the auditor expressed no issues over DMA's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. DMA has complied with those reporting requirements for the 2018-19 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 continues to have in place a solid financial management system. The school is in excellent financial condition, with a solid cash flow. Based on our review, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

DOWNTOWN MONTESSORI ACADEMY
Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	48	- Continued strong growth in school's net asset balance. - Several years of positive financial results. - 5.05:1 current ratio. - Year-end cash and receivable balance of \$1,073,000 with total yearly budget of \$2.5 million.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	17	16	- All required monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings in last 6 audits
Sustainability (Maximum 10)	10	10	10	10	10	- Sustained enrollment. - Excellent financial position.
TOTAL	<u>95</u>	<u>95</u>	<u>95</u>	<u>92</u>	<u>91</u>	

Central City Cyberschool

Central City Cyberschool (CCC) was established as a charter school in 1999, and completed its twentieth year of operations in 2019. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2019.

Current Year Financial Results

After showing consistent revenues the past six years, CCC revenues in 2018-19 increased by approximately \$500,000 this year. The increase in revenue is due to the school expanding to include ninth grade enrollment. Revenues should increase significantly over the next 3 years due to adding one additional grade each year. School operating expenses that had remained consistent in the prior years increased by \$260,000 as well.

Per review of the audited financial statements, the school showed positive financial results for the 2018-19 fiscal year after two years of deficits. CCC showed an increase in net assets of \$65,000 for the fiscal year. Cash flow continued to be excellent as the school has significant accumulated assets from prior years.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$7,132 and related expenses were \$1,117 compared to FY 2018 of \$1,800 and \$736, respectively

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ 65,369	\$ (202,675)	\$ (161,427)	\$ 105,493
Revenues	\$ 4,834,420	\$ 4,304,859	\$ 4,341,613	\$ 4,312,833
Expenses	\$ 4,769,051	\$ 4,507,534	\$ 4,503,040	\$ 4,207,340
Surplus/(Deficit) as a Percentage of Revenues	1.4%	-4.5%	-4%	2%

Current Financial Position

CCC continues to be a very financially stable organization. The school maintains a year-end cash balance of approximately \$320,000. Although the school showed a deficit for 2016-17 and 2017-18, the school maintains a solid unrestricted net asset balance of approximately \$2.63 million after the current year surplus of \$65,000. The ratio of cash and receivables to current liabilities (excluding notes payable) is 1.9 to 1, up from 1.6 to 1 last year. Therefore, the school is maintaining a solid ratio.

The school has only one debt service obligation. The school, in the 2017-18 fiscal year, took out a note to purchase smartboards for classrooms. The loan is for 3 years, and the amount due as of July 31, 2019 is \$55,270.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 320,780	\$ 396,469	\$ 252,597	\$ 303,877
Accounts Receivable	\$ 547,813	\$ 305,903	\$ 461,439	\$ 448,515
Liabilities	\$ 504,160	\$ 550,194	\$ 500,915	\$ 644,800
Restricted Net Assets	\$ 37,000	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 2,629,971	\$ 2,564,602	\$ 2,767,277	\$ 2,928,704
Current Assets to Current Liabilities Ratio	2 to 1	1.6 to 1	1.5 to 1	1.5 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	53%	60%	64%	64%

Review of Annual Audit

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2019 was not completed as of November 30, 2019. A draft by Walkowicz, Boczkiewicz & Co., S.C was submitted by due date and the final audit was submitted on January 6, 2020 after a one month extension request had been granted. Per review of the report, there were no contract compliance findings noted by the auditor. The two prior year contract compliance findings of one background screening not being performed and crime insurance not meeting minimum limit have both been addressed and corrected by the school. The auditor expressed no issues over CCC's ability to continue as a going concern. The audit report was properly submitted, however it was submitted late. The audit report is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. CCC has complied with those reporting requirements for the 2018-19 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, 2019, the school continues to have a solid financial management system in place. The school is in very good financial condition, with good cash flow. However, the school needs to continue to be cognizant of maintaining a break-even or surplus budget, as further deficits could signal future financial issues. Other than the late completion of the annual audit, the school is in compliance with the financial management provisions of its contract with the City of Milwaukee.

CENTRAL CITY CYBERSCHOOL
Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	47	47	47	48	48	- Strong net asset balance. - 1.9:1 ratio of cash and receivables to payables. - \$2.6 million in unrestricted net assets. - Small (\$55,000) long-term debt obligation and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	18	19	20	18	20	- All monthly reports provided on timely basis. -Prior year audit findings regarding background checks and insurance coverage compliance were corrected. -Late submission of audit.
Internal Controls (Maximum 20)	17	17	17	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure.
Sustainability (Maximum 10)	10	10	10	10	10	- Sustained enrollment levels. - Excellent financial position.
TOTAL	92	93	94	93	95	

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

DLH Academy was established as a charter school in 2002, and has completed its seventeenth year of operations in 2019. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2019.

Current Year Financial Results

Aftwr showing surpluses the last six years DLH Academy had a slight deficit of \$18,000 in 2018-19. For the last two years the revenues have decreased and the current year revenue decreased by \$485,000 due to decrease in federal title grants. Expenses also decreased by \$441,000 leaving a minimal change in the financial position of the school.

Per review of the year-end audited financial statements, the school showed a decrease in unrestricted net assets of \$18,000 on revenues of \$2.8 million for the fiscal year. Cash flow was solid during the fiscal year. The school has a \$200,000 line of credit if needed for cash flow purposes.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$1,830 and related expenses were \$3,256 compared to FY 2018 of \$6,907 and \$5,317 respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ (17,623)	\$ 27,119	\$ 184,003	\$ 147,230
Revenues	\$ 2,828,794	\$ 3,314,395	\$ 4,002,956	\$ 3,884,062
Expenses	\$ 2,846,417	\$ 3,287,276	\$ 3,818,953	\$ 3,736,832
Surplus/(Deficit) as a Percentage of Revenues	(1%)	1%	5%	4%

Current Financial Position

Currently, the school has unrestricted net assets of \$1.46 million, a net cash position of approximately \$1.3 million and an increase to 12 to 1 ratio of cash and receivables to current liabilities (excluding notes payable) compared to prior year at 11 to 1. Year-end cash balances totaled approximately \$1.27 million and the school had receivables of \$96,000. Current liabilities totaled \$116,000, thus resulting in the excellent ratio. As mentioned above, the school maintains a \$200,000 line of credit for cash flow purposes, from which it occasionally draws, and there was no balance outstanding on this line of credit as of June 30, 2019.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 1,271,650	\$1,257,755	\$ 1,160,880	\$ 820,386
Accounts Receivable	\$ 96,006	\$ 75,664	\$ 318,033	\$ 305,175
Liabilities	\$ 115,559	\$ 131,273	\$ 267,184	\$ 194,167
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 1,458,872	\$1,476,495	\$ 1,449,376	\$ 1,265,373
Current Assets to Current Liabilities Ratio	12.8 to 1	11.2 to 1	5.7 to 1	6.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	52%	45%	36%	33%

Review of Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2019 was completed as of September 26, 2019 by the firm of Ritz Holman LLP. The audit was timely submitted in accordance with the submission deadline. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over DLH's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. DLH Academy has complied with those reporting requirements for the 2018-19 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the DLH Academy, it appears that the school continues to have solid procedures in place to ensure a sufficient financial management system. As of June 30, 2019, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

D.L. HINES COLLEGE PREPARATORY ACADEMY OF EXCELLENCE

Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	48	48	48	47	45	- Slight negative surplus but had shown several consecutive year of surpluses prior. - 11.8:1 current ratio is excellent. - No long-term debt or outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	20	- All required monthly reports received - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	16	16	17	17	- Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No Internal control findings.
Sustainability (Maximum 10)	10	10	10	10	10	- Sustained enrollment levels - Good financial position - Several consecutive years of positive financial results
TOTAL	95	94	94	94	92	

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 nineteenth year of operations in 2019. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2019.

Current Year Financial Results

After several years of surpluses, MAS essentially had a breakeven year in fiscal year 2019. For the year, the school showed a decrease in unrestricted net assets of approximately \$6,000. By comparison, the school showed an unrestricted net asset increase of \$520,000 in the prior year. Total unrestricted revenue increased by \$400,000, while expenses increased by \$930,000. The school still maintained a healthy net asset balance and solid cash flow position.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$277,519 and related expenses were \$113,994 compared to FY 2018 of \$309,478 and \$98,542, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ (6,226)	\$ 520,245	\$ 306,755	\$ 331,395
Revenues	\$ 11,796,148	\$ 11,387,781	\$ 10,856,389	\$ 10,399,135
Expenses	\$ 11,802,374	\$ 10,867,536	\$ 10,549,634	\$ 10,067,740
Surplus/(Deficit) as a Percentage of Revenues	0%	5%	3%	3%

Current Financial Position

Currently, the school has unrestricted net assets of \$2.5 million, a very solid cash flow position and a 5 to 1 ratio of cash and receivables to current liabilities (other than notes Payable), unchanged from the prior year. Year-end operating cash balances totaled approximately \$4.4 million, and the school had receivables including promises to give from donors of \$196,000. Current liabilities other than current debt service total \$1,255,000, thus resulting in the favorable ratio. The school has a \$250,000 line of credit available, but due to its favorable cash position, they did not use the line during 2018-19.

In November 2013, the Redevelopment Authority of the City of Milwaukee refinanced bonds in the amount of approximately \$11.7 million, which was loaned to the school to purchase, rehabilitate and equip the elementary and high school. This refinanced debt is to be repaid over a 30-year period. The balance of this loan is \$10.55 million as of June 30, 2019. 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 \$1.69 million on June 30, 2019. This balance is in addition to the operating cash of \$4.4 million noted above.

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

	2019	2018	2017	2016
Cash	\$ 4,445,163	\$ 3,457,401	\$ 3,406,811	\$ 2,533,094
Accounts Receivable	\$ 397,972	\$ 922,314	\$ 567,625	\$ 814,784
Liabilities	\$ 11,809,476	\$11,608,548	\$11,847,553	\$ 12,568,602
Restricted Net Assets	\$ 620,619	\$ 604,447	\$ 742,269	\$ 562,927
Unrestricted Net Assets	\$ 2,544,721	\$ 2,550,947	\$ 2,030,702	\$ 1,723,947
Current Assets to Current Liabilities Ratio	5.4 to 1	5.3 to 1	4.5 to 1	3.9 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	22%	22%	19%	19%

Review of Annual Audit

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2019 was completed December 27, 2019 by the firm CliftonLarsonAllen LLP. Because there were financial management changes, the school requested an extension to November 30, 2019. However, the report was submitted after that date.

Per review of the report, there were no financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over MAS's ability to continue as a going concern. MAS is not in compliance with submission requirement, due to the late submission of the report. However, it is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. MAS has complied with those reporting requirements for the 2018-19 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, 2019, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school has an excellent financial position with an excellent ratio of cash and receivables to liabilities as well as an excellent unrestricted net asset balance. As of June 30, 2019, other than the late submission of the annual audit report, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

MILWAUKEE ACADEMY OF SCIENCE

Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	47	47	47	46	45	- Maintaining a steady strong net asset balance over past several years. - 4.6:1 ratio of cash and receivables to current payables other than long-term debt. - \$2.5 million in unrestricted net assets. - \$10.5 million in long-term debt, but no issues making debt service payments.
Financial Reporting & Contract Compliance (Maximum 20)	18	20	20	18	18	- All required monthly reports received on a timely basis. - Audit submitted late.
Internal Controls (Maximum 20)	19	19	19	19	19	- The school has implemented a very solid structure. - No internal control or compliance findings in recent audits..
Sustainability (Maximum 10)	10	10	10	10	10	- School has sustained enrollment - Excellent financial position.
TOTAL	94	96	96	93	92	

Dr. Howard Fuller Collegiate Academy

Dr. Howard Fuller Collegiate Academy was established as a City of Milwaukee charter school in 2011 after previously operating as a Milwaukee Parental Choice Program school. 2018-19 was the school's eighth year as a City of Milwaukee charter school. The school previously operated under the name Milwaukee Collegiate Academy. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2019.

Current Year Financial Results

The school, after several years of mixed results prior to FY 2018, showed another surplus for FY 2019. For the year, the school posted revenues of \$4.0 million, up from \$3.8 million in the prior year. A \$300,000 increase in per pupil funding was the main reason for that increase in revenue. Comparably, expenses increased by \$300,000 to \$3.9 million, resulting in the positive financial results. The school continues to receive significant outside contributions, receiving \$556,000 for the FY 2019 after receiving \$1,065,000 in the prior year.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$118,000. The school currently has an unrestricted net asset balance of \$870,000. Unrestricted net assets has increased from \$107,000 to \$868,000 in the past seven years, even with the FY 2016 and FY 2017 deficits.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$809,112 and related expenses were \$76,084 compared to FY 2018 of \$1,073,820 and \$29,154, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ 117,731	\$ 239,273	\$ (80,356)	\$ (264,536)
Revenues	\$ 3,985,259	\$ 3,838,046	\$ 3,468,833	\$ 3,094,896
Expenses	\$ 3,867,528	\$ 3,599,412	\$ 3,549,189	\$ 3,359,432
Surplus/(Deficit) as a Percentage of Revenues	3%	6%	-2%	-9%

Current Financial Position

Dr. Howard Fuller Collegiate Academy has dramatically improved its financial position over recent fiscal years. Its ratio of cash and receivables to current liabilities (except notes payable) is excellent at 35 to 1 compared to 28 to 1 the prior year. Year-end cash balances totaled \$1 million and the school had receivables of \$176,000. Current liabilities totaled only \$34,000, resulting in the favorable ratio. The school has a solid financial position as of June 30, 2019.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$1,008,638	\$ 586,277	\$ 324,931	\$ 435,930
Accounts Receivable	\$ 176,144	\$ 310,520	\$ 90,265	\$ 208,055
Liabilities	\$ 35,050	\$ 36,578	\$ 58,509	\$ 212,788
Restricted Net Assets	\$ 288,150	\$ 139,618	\$ 10,700	\$ 128,140
Unrestricted Net Assets	\$ 867,867	\$ 750,136	\$ 510,863	\$ 591,219
Current Assets to Current Liabilities Ratio	35.0 to 1	28.0 to 1	8.0 to 1	3.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	22%	20%	15%	19%

Review of Annual Audit

The annual audit for Dr. Howard Fuller Collegiate Academy for the fiscal year ended June 30, 2019 was completed as of October 30, 2019 by the firm Ritz Holman LLP. Per review of the report, there were no financial statement or internal control findings by the auditor. However, there was a finding noted with the State of Wisconsin Special Education Program. The finding indicated that one of six teachers charged to the program did not have a valid license for the 2018-19 school year. The school has taken steps to correct the problem. The auditor expressed no concerns over the organization's ability to continue as a going concern. The audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. Dr. Howard Fuller Collegiate Academy has complied with those reporting requirements for the 2018-19 school year.

Conclusion

Based on our review of the management policies, procedures, compliance and the annual audit of the Dr. Howard Fuller Collegiate Academy as of June 30, 2019, it appears that the organization is taking the steps to ensure a sufficient financial management system. The school appears to still be in solid financial position after its eighth year as a charter school. Other than the above mentioned finding the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

**DR. HOWARD FULLER COLLEGIATE
ACADEMY**

Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	45	45	44	45	47	- Even with deficits in FY 2017 and 2016, school is in good financial position. Current year and FY 2018 had solid financial results. - 35:1 current ratio compared to 28:1 in FY 2018
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	18	18	- All required monthly reports received on a timely basis - Audit was completed on timely basis.
Internal Controls (Maximum 20)	14	17	14	18	18	- Small size of the organization precludes an ideal internal control structure. - Audit finding regarding allowable costs and teacher license.
Sustainability (Maximum 10)	9	9	9	9	10	- Continued growth in enrollment with new facility - Solid financial position with a base to solicit significant contributions.
TOTAL	88	91	87	90	93	

Milwaukee Math and Science Academy

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2018-19 was the school's eighth 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, 2019.

Current Year Financial Results

After showing a slight deficit in the prior fiscal year, MMSA showed a larger deficit in the 2018-19 fiscal year. These deficits could present problems in the future if this trend continues. Over the past several years, MMSA has been operating on a breakeven basis. However, FY 2019 revenue decreased while expenses had an increase and is a situation that should be watched.

Per review of the annual audit, the school showed a decrease in unrestricted net assets for the year of \$260,000 on revenues of \$3.2 million and expenses of almost \$3.5 million.

Fundraising/Contributed Revenues:

The FY 2019 fundraising/contributed revenues were \$642 and related expenses were \$1,714 compared to FY 2018 of \$0 and \$0, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ (262,237)	\$ (100,672)	\$ 91,103	\$ (54,000)
Revenues	\$ 3,208,999	\$ 3,296,155	\$ 3,689,219	\$ 3,248,380
Expenses	\$ 3,471,236	\$ 3,396,827	\$ 3,598,116	\$ 3,302,380
Surplus/(Deficit) as a Percentage of Revenues	-8%	-3%	2%	-2%

Current Financial Position

After its eighth year of operations, the school has accumulated an unrestricted net asset balance of \$214,000. MMSA has a solid cash flow position and a 1.4:1 ratio of cash and receivables to current liabilities (except notes payable) compared to the prior year 2.5:1 ratio. Year-end cash balances totaled approximately \$350,000, and the school had receivables of \$45,000. Current liabilities total \$290,000, resulting in the favorable ratio. MMSA has no outstanding debt obligations.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 353,260	\$ 437,054	\$ 616,912	\$ 412,010
Accounts Receivable	\$ 45,245	\$ 148,177	\$ 68,689	\$ 99,197
Liabilities	\$ 293,902	\$ 241,194	\$ 268,765	\$ 229,808
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 214,257	\$ 476,494	\$ 577,166	\$ 486,063
Current Assets to Current Liabilities Ratio	1.4 to 1	2.5 to 1	2.6 to 1	2.3 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	7%	14%	16%	15%

Review of Annual Audit

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2019 was completed as of October 21, 2019 by the firm Ritz Holman LLP. Per review of the report, there were no significant financial statement, internal control or compliance findings noted by the auditor, and the auditor expressed no issues over the school's ability to continue as a going concern. The audit report appears to have been properly submitted and is in accordance with generally accepted accounting standards.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. MMSA has complied with those reporting requirements for the 2018-19 school year.

Other

MMSA and Concept Schools NFP terminated their education management agreement on November 1, 2019. MMSA now manages the school under its own management team.

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, 2019, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school continues to be in a good financial position as a charter school. However, if recent financial trends continue, that financial outlook could change. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

**MILWAUKEE MATH AND SCIENCE
ACADEMY**

Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	44	45	45	44	44	- 1.4:1 ratio of cash and receivables to payables other than debt service, decrease over prior year (2.6:1) - No debt. Paid off loan with Concept Schools in 2015. - Surplus deficit FY 2019 - Consistent revenue
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	18	14	- All required monthly reports received on a timely basis - Audit completed on timely basis.
Internal Controls (Maximum 20)	18	16	18	18	18	- Solid internal controls in place. - Finances handled from corporate offices in Chicago - No internal control or compliance findings in audit
Sustainability (Maximum 10)	9	9	9	9	9	- Solid financial position - Steady enrollment count
TOTAL	91	90	92	89	85	

Escuela Verde

Escuela Verde completed its seventh year of operations as a City of Milwaukee charter school in 2018-19. Escuela Verde is an arm of the Trans Center for Youth, Inc., which is comprised of four other entities; Shalom High School, Northwest Opportunities Vocational Academy, El Puente High School and NOVA Tech. As of June 30, 2019 the organization has closed NOVA Tech High School. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2019.

Current Year Financial Results

In its seventh year of operations, Escuela Verde, once again, was able to achieve very good financial results. Even with a relatively low enrollment, the school again showed a solid surplus. Grant and per-pupil revenue for the 2018-19 fiscal year again exceeded \$1 million, and the school was able to manage expenses to show another surplus year.

Per review of the annual audit, the school showed an unrestricted surplus of \$33,000, on revenues of \$1.4 million and expenses of \$1.3 million.

Fundraising/Contributed Revenues:

The Transcenter for Youth FY 2019 fundraising revenues were \$0 and related expenses were \$7,506 compared to FY 2018 of \$0 and \$0, respectively. The Escuela Verde FY 2019 special events revenues of \$18,770 and related expense of \$6,888 compared to FY 2018 of \$18,359 and \$7,809.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit)	\$ 32,744	\$ 64,719	\$ 137,513	\$ 36,719
Revenues	\$ 1,359,080	\$ 1,212,665	\$ 1,106,395	\$ 998,565
Expenses	\$ 1,326,336	\$ 1,147,946	\$ 968,882	\$ 961,846
Surplus/(Deficit) as a Percentage of Revenues	2%	5%	12%	4%

Current Financial Position

After its seventh year of operations, the school has accumulated unrestricted net assets of \$513,000, and maintains a solid balance sheet. Calculations of cash and receivables to current liabilities (except notes payable) are using the Transcenter for Youth and are consistent with the prior year at 4 to 1. The school's year-end cash balances totaled approximately \$199,000, and the school had total current assets of \$296,000. Current liabilities totaled only \$92,000, thus resulting in the favorable ratio. The school also has no outstanding debt.

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 \$513,000 and current liabilities (except notes payable) of \$92,000 for a favorable 5.5 to 1 ratio.

The Transcenter for Youth FY 2019 Fundraising Revenues were \$0 and Fundraising Expenses were \$7,506 compared to FY 2018 of \$0 and \$0, respectively. The Transcenter for Youth FY 2019 Special Events Revenues of \$41,410 and Special Events Expense. of \$17,382 compared to FY 2018 of \$18,359 and \$7,809.

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

	2019	2018	2017	2016
Cash - Transcenter	\$ 278,555	\$ 452,385	\$ 276,529	\$ 197,334
Accounts Receivable	\$ 97,005	\$ 10,150	\$ 208,468	\$ 213,910
Liabilities - Transcenter	\$ 1,442,574	\$ 1,422,053	\$1,513,276	\$1,563,617
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 513,204	\$ 480,460	\$ 415,741	\$ 278,228
Current Assets to Current Liabilities Ratio	*	*	30.8 to 1	16.8 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	38%	49%	38%	28%

* - School has almost no liabilities resulting in a ratio that's not useful for comparison purposes.

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, 2019 was completed as of September 23, 2019 by the firm Ritz Holman LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor related to Escuela Verde, and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards. The auditor expressed no issues over the school's ability to continue as a going concern.

Other Reporting Requirements

The school is required under its contract with the City of Milwaukee to provide various monthly and quarterly financial reports, as well as providing notice of any significant changes in management or board governance. Escuela Verde has complied with those reporting requirements for the 2018-19 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, 2019, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school and organization as a whole appear to be in a good financial position. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

ESCUELA VERDE
Financial Scorecard

SCORING CRITERIA	2019	2018	2017	2016	2015	COMMENTS
Financial Condition (Maximum 50)	47	47	47	46	44	- Good financial position after seventh year of operations. - Operating organization (Trans Center for Youth, Inc.) as a whole has very good financial position.
Financial Reporting & Contract Compliance (Maximum 20)	20	17	20	17	14	- All required monthly reports received on a timely basis. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	17	- Good internal controls in place - No significant internal control or compliance findings in audit
Sustainability (Maximum 10)	10	10	10	9	8	- School shows continued growth. - Operating organization has solid financial results
TOTAL	94	91	94	89	83	