

**City of Milwaukee – Charter Schools
Report of Management Oversight Consultant
with Financial Scorecards
For the 2019-2020 Fiscal Year**

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Milwaukee, Wisconsin**

Draft

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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 2019-2020 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

February 15, 2021

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

	<u>Page</u>
Overview of Management Oversight Procedures	4
Financial Scorecard Criteria and Scoring	5
Reports / Scorecards:	
Downtown Montessori Academy:	
Report	7
Scorecard	9
Central City Cyberschool	
Report	10
Scorecard	12
D.L. Hines College Preparatory Academy of Excellence (DLH Academy)	
Report	13
Scorecard	15
Milwaukee Academy of Science	
Report	16
Scorecard	18
Dr. Howard Fuller Collegiate Academy	
Report	19
Scorecard	21
Milwaukee Math and Science Academy	
Report	22
Scorecard	24
Escuela Verde	
Report	25
Scorecard	27

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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.

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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%;"/> 100

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Reports / Scorecards

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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 2019-20 school year was DMA's twenty-second 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, 2020.

Current Year Financial Results

DMA, as it has over the past several years, has continued to show positive financial results in both the charter school and day care. The 2019-20 school year showed approximately revenues of \$2,963,000, or a 4.5% increase in revenues. Since 2014, the school has increased revenues steadily each year. Expenses have also increased by approximately \$126,000, or a 5% increase in expenses. 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 2019-20 fiscal year. The school continues to show consistent surpluses each year.

The FY 2020 Fundraising Revenues were \$36,691 and Fundraising Expenses were \$31,075 compared to FY 2019 of \$48,443 and \$28,027, respectively.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ 284,402	\$ 283,520	\$ 168,554	\$ 129,449
Revenues	\$2,963,314	\$2,836,864	\$ 2,638,428	\$ 2,472,404
Expenses	\$2,678,912	\$2,553,344	\$ 2,469,874	\$ 2,342,955
Surplus/(Deficit) as a % of Revenues	10%	10%	6%	5%

Current Financial Position

DMA's year-end cash position remained solid, with the school maintaining approximately \$1,424,000 in cash at year-end. As has been the case in prior years, there is no 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 5.38, showing a slight increase from the prior year. Unrestricted net assets continue to increase and are 68% of yearly revenues as of June 30, 2020. 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 two long-term debt mortgage notes outstanding as of June 30, 2020. Each of these notes will be repaid over a 15 year period. As of June 30, 2020 the balance of those loans totaled \$1.03 million. The school also has a note payable from the Payroll Protection

Program (PPP) with a balance of \$346,949, payments to begin November 2020 and final payment due May 2022. The PPP loan is subject to forgiveness by the Small Business Administration if the Organization meets spending and staffing criteria. No issues regarding repayment of those loans are expected.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,424,266	\$ 1,072,814	\$ 840,195	\$ 618,825
Accounts Receivable	\$ 90,449	\$ 108,122	\$ 95,490	\$ 113,798
Liabilities	\$ 1,661,945	\$ 1,691,469	\$ 1,834,333	\$ 1,904,718
Restricted Net Assets	\$ 1,071	\$ 2,307	\$ 3,251	\$ 3,000
Unrestricted Net Assets	\$ 2,305,629	\$ 2,021,227	\$ 1,737,707	\$ 1,569,153
Current Assets to Current Liabilities Ratio	5.38 to 1	5.05 to 1	3.5 to 1	3.2 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	68%	61%	66%	63%

Review of Annual Audit

The annual audit for Downtown Montessori Academy was completed as of November 12, 2020 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 2019-20 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.

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DOWNTOWN MONTESSORI ACADEMY
Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	48	<ul style="list-style-type: none"> - Continued strong growth in school's net asset balance. - Several years of positive financial results. - 5.38:1 current ratio. - Year-end cash and receivable balance of \$1,520,000 with total yearly budget of \$2.7 - Two property renovation notes payable and one PPP loan.
Financial Reporting & Contract Compliance (Maximum 20)	19	20	20	20	17	<ul style="list-style-type: none"> - All required monthly reports provided in accordance with contract. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	17	<ul style="list-style-type: none"> - Solid internal controls in place, however, the small size of the organization precludes an ideal internal control structure. - No audit findings in last 7 audits
Sustainability (Maximum 10)	10	10	10	10	10	<ul style="list-style-type: none"> - Sustained enrollment. - Excellent financial position.
TOTAL	94	95	95	92	91	

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Central City Cyberschool

Central City Cyberschool (CCC) was established as a charter school in 1999, and completed its twenty-first year of operations in 2020. Below is a summary of the financial results and financial contract compliance for their fiscal year ended July 31, 2020.

Current Year Financial Results

CCC revenues in 2019-20 increased by approximately \$430,000 this year but had been consistent the prior seven years. This is primarily due to the school maintaining a consistent enrollment level. School operating expenses that had remained consistent in the prior years has increased by \$280,000 as well.

Per review of the audited financial statements, the school once again had solid financial results for the 2019-20 fiscal year. CCC showed an increase in net assets of \$173,000 for the fiscal year. However, that increase is mainly due to the increase in enrollment. Cash flow continued to be excellent during the fiscal year as the school has significant accumulated assets from prior years.

The FY 2020 Fundraising Revenues were \$13,000 and Fundraising Expenses were \$45,000 compared to FY 2019 of \$0 and \$0, respectively

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ 173,411	\$ 65,369	\$ (202,675)	\$ (161,427)
Revenues	\$ 5,220,137	\$ 4,834,420	\$ 4,304,859	\$ 4,341,613
Expenses	\$ 5,046,726	\$ 4,769,051	\$ 4,507,534	\$ 4,503,040
Surplus/(Deficit) as a Percentage of Revenues	3.3%	1.4%	-4.5%	-4%

Current Financial Position

CCC continues to be a very financially stable organization. The school maintains a year-end cash balance of approximately \$624,000. Although the school showed a deficit for 2016-17 and 2017-18, the school maintains a solid unrestricted net asset balance of approximately \$2.76 million in 2019-20 after the current year surplus of \$173,411. The ratio of cash and receivables to current liabilities (excluding notes payable) is 3.2 to 1, up from 2.05 to 1 last year. Therefore, the school is maintaining a solid ratio.

The school had one debt service obligation from the purchase of smartboards for classrooms and it was paid off in July 2020. CCC received a Payroll Protection Program (PPP) loan in the amount of \$280,134 and the PPP amount due as of July 31, 2021 is \$138,838. The PPP loan is subject to forgiveness by the Small Business Administration if the Organization meets spending and staffing criteria. No issues regarding repayment of those loans are expected.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 624,440	\$ 320,780	\$ 396,469	\$ 252,597
Accounts Receivable	\$ 511,851	\$ 547,813	\$ 305,903	\$ 461,439
Liabilities	\$ 507,497	\$ 504,160	\$ 550,194	\$ 500,915
Restricted Net Assets	\$ 0	\$ 37,000	\$ 0	\$ 0
Unrestricted Net Assets	\$ 2,761,702	\$ 2,629,971	\$ 2,564,602	\$ 2,767,277
Current Assets to Current Liabilities Ratio	3.21 to 1	2.05 to 1	1.6 to 1	1.5 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	50%	53%	60%	64%

Review of Annual Audit

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2020 was not completed as of November 30, 2020, however, a draft by Walkowicz, Boczkiewicz & Co., S.C was submitted. An extension was granted and final audit was submitted in accordance before the extension deadline. Per review of the report draft, there was one contract compliance finding noted by the auditor. The school did not have adequate and effective controls related to the Uniform Guidance procurement policy compliance requirements. There were no prior year contract compliance findings. The auditor expressed no issues over CCC's ability to continue as a going concern. The audit appears that it will be 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. CCC has complied with those reporting requirements for the 2019-20 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, 2020, 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 adhere to the Uniform Guidance procurement policy requirements. Other than the instance of noncompliance regarding procurement requirements, the school is in compliance with the financial management provisions of its contract with the City of Milwaukee.

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CENTRAL CITY CYBERSCHOOL
Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	<ul style="list-style-type: none"> - Strong net asset balance. -3.08:1 ratio of cash and receivables to payables. - \$2.8 million in unrestricted net assets. - Small (\$139,000) long-term debt (PPP) obligation and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	18	19	19	20	<ul style="list-style-type: none"> - All monthly reports and audit provided on timely basis. -Current year Audit finding regarding compliance with procurement requirements was corrected.
Internal Controls (Maximum 20)	17	17	17	17	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Sustained enrollment levels. - Excellent financial position.
TOTAL	92	93	94	93	

Draft

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

DLH Academy was established as a charter school in 2002, and has completed its eighteenth year of operations in 2020. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2020.

Current Year Financial Results

After the positive trend over the last several years, DLH Academy had a deficit of \$90,581. DLH had shown surpluses in seven consecutive years prior to 2019, and plans to build on its positive financial position in future years. The current fiscal year resulted in a 6% decrease in their unrestricted net asset balance. Revenue decreased by almost \$187,000 and expenses also decreased by \$114,000 leaving a negative change in the unrestricted net asset balance.

Per review of the year-end audited financial statements, the school showed a decrease in unrestricted net assets of \$90,000 on revenues of \$2.6 million and expenses of \$2.7 million for the fiscal year. Cash flow was solid during the fiscal year. The school has a \$200,000 line of credit if needed for cash flow purposes.

The FY 2020 Fundraising Revenues were \$5,837 and Fundraising Expenses were \$3,222 compared to FY 2019 of \$13,028 and \$3,256 respectively.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ (90,581)	\$ (17,623)	\$ 27,119	\$ 184,003
Revenues	\$ 2,641,932	\$ 2,828,794	\$ 3,314,395	\$ 4,002,956
Expenses	\$ 2,732,513	\$ 2,846,417	\$ 3,287,276	\$ 3,818,953
Surplus/(Deficit) as a Percentage of Revenues	(3%)	(.6%)	1%	5%

Current Financial Position

DLH continue to have a very solid cash position, with year-end cash balances totaled approximately \$1.56 million. The ratio of cash and receivables to current liabilities (excluding notes payable) is consistent at 12.7 to 1 compared to prior year at 12.8 to 1. The school had receivables of \$38,500. Current liabilities totaled \$126,000, thus resulting in the excellent ratio. The school has a note payable from the Payroll Protection Program with a balance of \$257,907, and the amount due as of July 31, 2021 is \$85,971. The PPP loan is subject to forgiveness by the Small Business Administration if the Organization meets spending and staffing criteria. 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, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,559,622	\$ 1,271,650	\$1,257,755	\$ 1,160,880
Accounts Receivable	\$ 38,535	\$ 96,006	\$ 75,664	\$ 318,033
Liabilities	\$ 384,052	\$ 115,559	\$ 131,273	\$ 267,184
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 1,368,291	\$ 1,458,872	\$1,476,495	\$ 1,449,376
Current Assets to Current Liabilities Ratio	12.7 to 1	12.8 to 1	11.2 to 1	5.7 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	55%	52%	45%	36%

Review of Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2020 was completed as of September 15, 2020 by the firm 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 2019-20 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, 2020, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

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D.L. HINES COLLEGE PREPARATORY ACADEMY OF EXCELLENCE
Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	48	48	48	48	47	<ul style="list-style-type: none"> - A negative surplus but had shown several consecutive years of surpluses prior to the last two years. - 12.7:1 current ratio is excellent. - No long-term debt or outstanding line of credit balance except for PPP loan.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	20	<ul style="list-style-type: none"> - All required monthly reports received - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	16	16	17	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Sustained enrollment levels - Good financial position
TOTAL	95	95	94	94	94	

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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 twentieth year of operations in 2020. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2020.

Current Year Financial Results

MAS showed another significant increase in net assets for the 2020 fiscal year. For the year, the school showed an increase in unrestricted net assets of approximately \$788,000 compared to the school showed an unrestricted net asset decrease of \$10,000 in the prior year. Total unrestricted revenue increased by \$1,359,000, while expenses increased by \$843,000. The school is maintaining a healthy net asset balance and solid cash flow position.

The FY 2020 Fundraising Revenues were \$132,927 and Fundraising Expenses were \$35,160 compared to FY 2019 of \$316 and \$1,355, respectively.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ 787,679	\$ (6,226)	\$ 520,245	\$ 306,755
Revenues	\$ 13,432,988	\$ 11,796,148	\$ 11,387,781	\$ 10,856,389
Expenses	\$ 12,645,309	\$ 10,802,374	\$ 10,867,536	\$ 10,549,634
Surplus/(Deficit) as a Percentage of Revenues	6%	(.1%)	5%	3%

Current Financial Position

Currently, the school has unrestricted net assets of \$3.5 million, a very solid cash flow position and a 5.1 to 1 ratio of cash and receivables to current liabilities (except notes Payable), decreased slightly from 5.4 to 1 in the prior year. Year-end operating cash balances totaled approximately \$4.6 million, and the school had receivables including promises to give from donors of \$288,000. Current liabilities other than current debt service total \$973,000, 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 2019-20. The school did not receive a Payroll Protection Program (PPP) loan.

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 \$10.7 million as of June 30, 2020. 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, 2020. This balance is in addition to the operating cash of \$4.6 million noted above.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 4,639,754	\$ 4,445,163	\$ 3,457,401	\$ 3,406,811
Accounts Receivable	\$ 287,879	\$ 397,972	\$ 922,314	\$ 567,625
Liabilities	\$ 11,323,908	\$ 11,809,476	\$ 11,608,548	\$ 11,847,553
Restricted Net Assets	\$ 443,059	\$ 620,619	\$ 604,447	\$ 742,269
Unrestricted Net Assets	\$ 3,536,998	\$ 2,544,721	\$ 2,550,947	\$ 2,030,702
Current Assets to Current Liabilities Ratio	5.1 to 1	5.4 to 1	5.3 to 1	4.5 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	21%	22%	22%	19%

Review of Annual Audit

The annual audit for the Milwaukee Academy of Science for the fiscal year ended June 30, 2020 was not completed as of November 30, 2020. The new auditor was Wipfli LLP and the firm provided a current report draft by the extension date and the final report was submitted January, 2020. The school is not in compliance with the submission requirement. Although the final audit report was submitted after the deadline of October 31, management had requested a 30 day extension to submit the report, which was granted.

The school has had financial management changes in the prior year and a new auditor in the current year. Per review of the report, there were financial statement, internal control and compliance findings noted by the auditor.

During the audit five findings were noted: 1) The Construction in Progress was not properly coded and recorded which caused prior year financials to need restatement; 2) There were forty disbursements tested and six were not properly supported; 3) The Transportation Aid program had expenses charged that were outside the grant period and the Child Nutrition Cluster did not have proper support for all program disbursements; 4) The General Transportation Aid program did not have required support on the actual transport of six students so expenses may not have been charged properly; and 5) The Special Education Aid program did not report fiscal information using prescribed format to track expenses properly as required by DPI and this caused inability to trace amounts expensed to the general ledger. There are no questioned costs related to these findings.

The auditor expressed no issues over MAS's ability to continue as a going concern. The audit is not in compliance with submission requirement but appears that it is in accordance with generally accepted accounting standards.

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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 2019-20 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, 2020, 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, 2020, the school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

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MILWAUKEE ACADEMY OF SCIENCE
Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	45	45	47	47	46	<ul style="list-style-type: none"> - Maintaining a steady strong net asset balance over past several years. - 5.0:1 ratio of cash and receivables to current payables other than long-term debt. - \$3.5 million in unrestricted net assets. - \$10.1 million in long-term debt, but no issues making debt service payments. - No PPP loan was made to the school.
Financial Reporting & Contract Compliance (Maximum 20)	16	17	20	20	18	<ul style="list-style-type: none"> - All required monthly reports received on a timely basis after new management became familiar with reporting requirements. - Audit not completed on timely basis but extension had been granted. - There were five findings that need to be addressed by the school.
Internal Controls (Maximum 20)	16	17	19	19	19	<ul style="list-style-type: none"> - The school has implemented a very solid structure. - Five internal control or compliance findings in audit.
Sustainability (Maximum 10)	10	10	10	10	10	<ul style="list-style-type: none"> - School has sustained enrollment - Excellent financial position.
TOTAL	94	96	96	93	92	

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Dr. Howard Fuller Collegiate Academy

The Milwaukee Collegiate Academy (MCA) was established as a City of Milwaukee charter school in 2011 after previously operating as a Milwaukee Parental Choice Program school. 2019-20 was the school's ninth year as a City of Milwaukee charter school and the second operating year the school was renamed Dr. Howard Fuller Collegiate Academy. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2020.

Current Year Financial Results

The school, after several years of mixed results, showed another significant surplus for FY 2020 as did in FY 2019 and FY 2018. For the year, the school posted revenues of \$4.4 million, up from \$4.0 million in the prior year. A \$109,000 increase in donations, \$212,000 of CARES funding and a Net Asset Released from Restriction amount of \$126,000 were the main reasons for the increase in revenue. Comparably, Program Services expenses increased by \$349,000 to \$4.2 million, resulting in the positive financial results. The school continues to receive significant outside contributions, receiving \$665,000 for the FY 2020 after receiving \$556,000 in the prior year.

Per review of the annual audit, the school showed an increase in unrestricted net assets for the year of \$198,000. The school currently has an unrestricted net asset balance of \$1,066,000. Unrestricted net assets have gone from \$107,000 to \$1,066,000 in the past eight years, even with the FY 2016 and FY 2017 deficits.

The FY 2020 Fundraising Revenues were \$0 and Fundraising Expenses were \$1,466 compared to FY 2019 of \$316 and \$1,355, respectively.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ 197,865	\$ 117,731	\$ 239,273	\$ (80,356)
Revenues	\$ 4,414,500	\$ 3,985,259	\$ 3,838,046	\$ 3,468,833
Expenses	\$ 4,216,635	\$ 3,867,528	\$ 3,599,412	\$ 3,549,189
Surplus/(Deficit) as a Percentage of Revenues	4.5%	3%	6%	-2%

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 144 to 1 compared to 35 to 1 the prior year. Year-end cash balances totaled \$1,660,000, and the school had receivables of \$140,000. Current liabilities totaled only \$12,000,

resulting in the favorable ratio. The school has a note payable from the Payroll Protection Program (PPP) with a balance of \$465,700, with payments to begin November 2020. The PPP loan is subject to forgiveness by the Small Business Administration if the Organization meets spending and staffing criteria. The school has a solid financial position as of June 30, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$1,659,502	\$1,008,638	\$ 586,277	\$ 324,931
Accounts Receivable	\$ 139,617	\$ 176,144	\$ 310,520	\$ 90,265
Liabilities	\$ 478,155	\$ 35,050	\$ 36,578	\$ 58,509
Restricted Net Assets	\$ 1,239,888	\$ 288,150	\$ 139,618	\$ 10,700
Unrestricted Net Assets	\$ 1,065,732	\$ 867,867	\$ 750,136	\$ 510,863
Current Assets to Current Liabilities Ratio	144.0 to 1	35.0 to 1	28.0 to 1	8.0 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	20%	22%	20%	15%

Review of Annual Audit

The annual audit for Dr. Howard Fuller Collegiate Academy for the fiscal year ended June 30, 2020 was completed as of October 29, 2020 by the firm Ritz Holman LLP. Per review of the report, there were no financial statement, internal control or compliance findings by the auditor. There had been one finding in the prior year for one State Program material weakness regarding allowable costs and a teacher license, and the issue has been resolved. The auditor expressed no issues 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 2019-20 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, 2020, 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 ninth 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.

Draft

**DR. HOWARD FULLER COLLEGIATE
ACADEMY**

Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	44	44	45	44	45	<ul style="list-style-type: none"> - Strong net asset balance. - Very strong ratio of cash and receivables to payables. - \$1.1 million in unrestricted net assets. - \$465,700 long-term debt (PPP) loan obligation and no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	18	17	20	20		<ul style="list-style-type: none"> - All required monthly reports received on a timely basis - No audit findings and last year finding is resolved. - Audit was completed on timely basis.
Internal Controls (Maximum 20)	15	14	17	14	18	<ul style="list-style-type: none"> - Small size of the organization precludes an ideal internal control structure.
Sustainability (Maximum 10)	9	9	9	9	9	<ul style="list-style-type: none"> - Continued growth in enrollment with new facility - Solid financial position with a base to solicit significant contributions.
TOTAL	89	87	87	90	93	

Draft

Milwaukee Math and Science Academy

The Milwaukee Math and Science Academy (MMSA) was established as a City of Milwaukee charter school in 2011. 2019-20 was the school's ninth 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, 2020.

Current Year Financial Results

After showing deficits in the prior two fiscal years, MMSA showed a slight deficit in the 2019-20 fiscal year. These deficits could present problems in the future. Over the past several years, MMSA has been operating on a break even basis, maintaining its solid financial position. However, FY 2020 revenue decreased again while expenses decreased respectively. The deficit was slight due to the above but the decrease in enrollment is a trend that should be watched by the school. The change in the management team was a large part of the expense change.

Per review of the annual audit, the school showed a decrease in unrestricted net assets for the year of \$18,000 on revenues of \$2.6 million and expenses of \$2.6 million.

The FY 2020 Fundraising Revenues were \$130 and Fundraising Expenses were \$0 compared to FY 2019 of \$0 and \$0, respectively.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ (18,120)	\$ (262,237)	\$ (100,672)	\$ 91,103
Revenues	\$ 2,607,416	\$ 3,208,999	\$ 3,296,155	\$ 3,689,219
Expenses	\$ 2,625,536	\$ 3,471,236	\$ 3,396,827	\$ 3,598,116
Surplus/(Deficit) as a Percentage of Revenues	-1%	-8%	-3%	2%

Current Financial Position

After its eighth year of operations, the school has accumulated an unrestricted net asset balance of \$196,000. MMSA has a solid cash flow position and a slightly increasing 1.9:1 ratio of cash and receivables to current liabilities (except notes payable) compared to the prior year 1.4:1 ratio. Year-end cash balances totaled approximately \$332,000, and the school had receivables of \$70,000. Current liabilities total \$221,000, resulting in the favorable ratio that is increasing. MMSA has one outstanding debt obligation with Concept Schools for \$50,000 and it will be paid FY 2021. There is no Payroll Protection Program (PPP) loan for the school.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 331,731	\$ 353,260	\$ 437,054	\$ 616,912
Accounts Receivable	\$ 70,114	\$ 45,245	\$ 148,177	\$ 68,689
Liabilities	\$ 279,612	\$ 293,902	\$ 241,194	\$ 268,765
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 196,137	\$ 214,257	\$ 476,494	\$ 577,166
Current Assets to Current Liabilities Ratio	1.9 to 1	1.4 to 1	2.5 to 1	2.6 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	8%	7%	14%	16%

Review of Annual Audit

The annual audit for the Milwaukee Math and Science Academy for the fiscal year ended June 30, 2020 was completed as of October 23, 2020 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 2019-2020 school year.

MMSA and Concept Schools NFP signed a Mutual Termination Agreement on November 1, 2019. Their Education Management Agreement dated February 25, 2011 was terminated as of November 1, 2019 and the new contract is with Maestro Education LLC.

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, 2020, it appears that the organization has adequate procedures in place to ensure a sufficient financial management system. The school continues to be in a solid financial position as a charter school. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

Draft

**MILWAUKEE MATH AND SCIENCE
ACADEMY**

Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	44	44	45	45	44	<ul style="list-style-type: none"> - 1.8:1 ratio of cash and receivables to payables other than debt service, increase over prior year (1.4:1) - No debt except \$50,000 to Concept Schools. - Surplus deficit FY 2020 of \$18,000 - Decreasing revenue - No PPP loan.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	20	20	18	<ul style="list-style-type: none"> - All required monthly reports received on a timely basis - Audit completed on timely basis.
Internal Controls (Maximum 20)	18	18	16	18	18	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Solid financial position - Decreasing enrollment count but corresponding decrease to expenses.
TOTAL	92	92	89	85	88	

Draft

Escuela Verde

Escuela Verde completed its eighth year of operations as a City of Milwaukee charter school in 2019-20. Escuela Verde is an arm of the Trans Center for Youth, Inc., which is comprised of three other entities; Shalom High School, Northwest Opportunities Vocational Academy and El Puente High School. Below is a summary of the financial results and financial contract compliance for their fiscal year ended June 30, 2020.

Current Year Financial Results

In its eighth 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 2019-20 fiscal year again exceeded \$1.5 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 \$119,000, on revenues of \$1.5 million and expenses of \$1.4 million. The Trans Center for Youth FY 2020 Fundraising Revenues were \$0 and Fundraising Expenses were \$6,549 compared to FY 2019 of \$0 and \$7,506, respectively. The Escuela Verde FY 2020 Special Events Revenues of \$1,938 and Special Events Expense of \$0 compared to FY 2019 of \$18,770 and \$6,888.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus / (Deficit)	\$ 119,498	\$ 32,744	\$ 64,719	\$ 137,513
Revenues	\$ 1,540,647	\$ 1,359,080	\$ 1,212,665	\$ 1,106,395
Expenses	\$ 1,421,149	\$ 1,326,336	\$ 1,147,946	\$ 968,882
Surplus/(Deficit) as a Percentage of Revenues	13%	2%	5%	12%

Current Financial Position

After its eighth year of operations, the school has accumulated unrestricted net assets of \$633,000, and maintains a solid balance sheet. Calculations of cash and receivables to current liabilities (except notes payable) are using the Tran Center for Youth and has increased to 13.03 to 1 from 4.08 to 1 the prior year. The Trans Center for Youth's year-end cash and receivables balances totaled approximately \$1,214,000.. Current liabilities totaled only \$93,000, thus resulting in the favorable ratio. The organization has a Payroll Protection Program (PPP) advance with a balance of \$519,400. The PPP advance is subject to forgiveness by the Small Business Administration if the Organization meets spending and staffing criteria.

Draft

As the school is part of the Trans Center for Youth, Inc., it is important to look at the financial position of the organization as a whole. In reviewing the audit for the whole organization, the organization is showing a solid financial position as of June 30, 2020.

The Trans Center for Youth FY 2020 Fundraising Revenues were \$0 and Fundraising Expenses were \$6,549 compared to FY 2019 of \$0 and \$7,506, respectively. The Trans Center for Youth FY 2020 Special Events Revenues of \$1,938 and Special Events Expense. of \$0 compared to FY 2019 of \$18,770 and \$6,888.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash – Trans Center	\$ 963,300	\$ 278,555	\$ 452,385	\$ 276,529
Accounts Receivable	\$ 250,777	\$ 97,005	\$ 10,150	\$ 208,468
Liabilities – Trans Center	\$ 1,384,087	\$ 1,442,574	\$ 1,422,053	\$1,513,276
Restricted Net Assets	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted Net Assets	\$ 632,702	\$ 513,204	\$ 480,460	\$ 415,741
Current Assets to Current Liabilities Ratio	*	*	*	30.8 to 1
Unrestricted Net Assets as Percentage of Yearly Revenues	41%	38%	49%	38%

* - 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, 2020 was completed as of October 6, 2020 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 2019-20 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, 2020, 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.

Draft

ESCUELA VERDE
Financial Scorecard

SCORING CRITERIA	2020	2019	2018	2017	2016	COMMENTS
Financial Condition (Maximum 50)	47	47	47	47	46	<ul style="list-style-type: none"> - Good financial position after eighth year of operations. - Operating organization (Trans Center for Youth, Inc.) as a whole has very good financial position. - Trans Center for Youth, Inc. has a \$519,400 PPP advance and is accounting for it as a conditional grant. There is no outstanding line of credit balance.
Financial Reporting & Contract Compliance (Maximum 20)	20	20	17	20	17	<ul style="list-style-type: none"> - All required monthly reports received on a timely basis. - Audit completed on timely basis.
Internal Controls (Maximum 20)	17	17	17	17	17	<ul style="list-style-type: none"> - Good internal controls in place - No internal control or compliance findings in audit
Sustainability (Maximum 10)	10	10	10	10	9	<ul style="list-style-type: none"> - School shows continued growth. - Operating organization has solid financial results
TOTAL	94	94	89	83	76	

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