

**CENTRAL CITY CYBERSCHOOL
OF MILWAUKEE, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED
JULY 31, 2021 AND 2020**

Central City Cyberschool of Milwaukee, Inc.
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Years Ended July 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central City Cyberschool of Milwaukee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Central City Cyberschool of Milwaukee, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central City Cyberschool of Milwaukee, Inc. as of July 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021, on our consideration of Central City Cyberschool of Milwaukee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central City Cyberschool of Milwaukee, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central City Cyberschool of Milwaukee, Inc.'s internal control over financial reporting and compliance.



Waukesha, Wisconsin
November 24, 2021

Central City Cyberschool of Milwaukee, Inc.
Statements of Financial Position
July 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash	\$ 1,114,965	\$ 624,440
Grants receivable	477,445	511,851
Prepaid expenses	45,292	46,049
	<hr/>	<hr/>
Total Current Assets	1,637,702	1,182,340
Property and Equipment, net	<hr/> 2,151,017	<hr/> 2,228,155
	<hr/>	<hr/>
Total Assets	<u><u>\$ 3,788,719</u></u>	<u><u>\$ 3,410,495</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 16,470	\$ 69,958
Accrued wages and benefits	265,203	298,701
Current portion of capital leases	11,444	-
Current portion of note payable	280,134	138,838
	<hr/>	<hr/>
Total Current Liabilities	573,251	507,497
Long-Term Liabilities		
Capital leases, less current portion	62,968	-
Notes payable, less current portion	-	141,296
	<hr/>	<hr/>
Total Long-Term Liabilities	62,968	141,296
	<hr/>	<hr/>
Total Liabilities	636,219	648,793
Net Assets		
Without donor restrictions		
Undesignated	3,077,500	2,711,702
Board designated	75,000	50,000
	<hr/>	<hr/>
Total Net Assets	3,152,500	2,761,702
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u><u>\$ 3,788,719</u></u>	<u><u>\$ 3,410,495</u></u>

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Statement of Activities
Year Ended July 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Government grants and contracts			
DPI - Charter school contract	\$ 3,812,640	\$ -	\$ 3,812,640
DPI - Special education	98,413	-	98,413
DPI - Other	892,627	-	892,627
DOJ School safety grant	16,224	-	16,224
Contributions	195,343	-	195,343
Other income	15,832	-	15,832
	<u>5,031,079</u>	<u>-</u>	<u>5,031,079</u>
Expenses			
Program services	4,341,015	-	4,341,015
Management and general	173,111	-	173,111
Fundraising	126,155	-	126,155
	<u>4,640,281</u>	<u>-</u>	<u>4,640,281</u>
Change in Net Assets	390,798	-	390,798
Net Assets at Beginning of Year	<u>2,761,702</u>	<u>-</u>	<u>2,761,702</u>
Net Assets at End of Year	<u><u>\$ 3,152,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,152,500</u></u>

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Statement of Activities
Year Ended July 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Government grants and contracts			
DPI - Charter school contract	\$ 4,072,327	\$ -	\$ 4,072,327
DPI - Special education	150,358	-	150,358
DPI - Other	946,890	-	946,890
Contributions	10	-	10
Other income	13,552	-	13,552
Net assets released from restrictions	<u>37,000</u>	<u>(37,000)</u>	<u>-</u>
 Total Support and Revenues	 5,220,137	 (37,000)	 5,183,137
Expenses			
Program services	4,811,557	-	4,811,557
Management and general	190,369	-	190,369
Fundraising	<u>44,800</u>	<u>-</u>	<u>44,800</u>
 Total Expenses	 <u>5,046,726</u>	 <u>-</u>	 <u>5,046,726</u>
 Change in Net Assets	 173,411	 (37,000)	 136,411
 Net Assets at Beginning of Year	 <u>2,588,291</u>	 <u>37,000</u>	 <u>2,625,291</u>
 Net Assets at End of Year	 <u><u>\$ 2,761,702</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,761,702</u></u>

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Statement of Functional Expenses
Year Ended July 31, 2021

	Program	Supporting Services			Total 7/31/21
		Management and General	Fund- raising	Total	
Contracted services	\$ 1,154	\$ -	\$ -	\$ -	\$ 1,154
Depreciation and amortization	151,326	7,965	-	7,965	159,291
Dues and subscriptions	387	17	-	17	404
Employee benefits	381,879	16,551	-	16,551	398,430
Equipment rental and maintenance	33,741	1,462	-	1,462	35,203
Field trips	131	-	-	-	131
Food expenses	40,322	-	-	-	40,322
Insurance	53,940	2,338	-	2,338	56,278
Interest	9	-	-	-	9
Licenses and fees	123,222	291	-	291	123,513
Miscellaneous	227	249	-	249	476
Occupancy	131,379	6,914	-	6,914	138,293
Payroll taxes	212,449	9,187	-	9,187	221,636
Postage	2,223	96	-	96	2,319
Printing	43	-	-	-	43
Professional fees	28,874	4,306	126,155	130,461	159,335
Repairs and maintenance	88,943	4,647	-	4,647	93,590
Salaries	2,657,748	115,188	-	115,188	2,772,936
Special education supplies	2,888	-	-	-	2,888
Student activities	7,394	-	-	-	7,394
Supplies	108,124	1,477	-	1,477	109,601
Technology	245,974	1,933	-	1,933	247,907
Telephone	11,290	490	-	490	11,780
Training and seminars	57,348	-	-	-	57,348
Total Expenses	<u>\$ 4,341,015</u>	<u>\$ 173,111</u>	<u>\$ 126,155</u>	<u>\$ 299,266</u>	<u>\$ 4,640,281</u>

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Statement of Functional Expenses
Year Ended July 31, 2020

		Supporting Services			Total 7/31/20
		Management and General	Fund- raising	Total	
Program					
Contracted services	\$ 5,073	\$ -	\$ -	\$ -	\$ 5,073
Depreciation and amortization	153,158	8,061	-	8,061	161,219
Dues and subscriptions	172	7	-	7	179
Employee benefits	354,302	14,976	-	14,976	369,278
Equipment rental and maintenance	29,994	1,314	-	1,314	31,308
Field trips	6,431	-	-	-	6,431
Food expenses	308,078	-	-	-	308,078
Insurance	52,622	2,224	-	2,224	54,846
Interest	2,071	-	-	-	2,071
Licenses and fees	95,747	452	-	452	96,199
Miscellaneous	1,596	-	-	-	1,596
Occupancy	177,837	9,361	-	9,361	187,198
Payroll taxes	225,269	9,921	-	9,921	235,190
Postage	4,935	209	-	209	5,144
Printing	1,750	-	-	-	1,750
Professional fees	23,488	3,393	44,800	48,193	71,681
Repairs and maintenance	150,352	7,818	-	7,818	158,170
Salaries	2,834,065	119,788	-	119,788	2,953,853
Security equipment	4,036	-	-	-	4,036
Special education supplies	2,200	-	-	-	2,200
Student activities	17,847	-	-	-	17,847
Supplies	186,080	941	-	941	187,021
Technology	104,466	10,784	-	10,784	115,250
Telephone	26,487	1,120	-	1,120	27,607
Training and seminars	43,501	-	-	-	43,501
Total Expenses	\$ 4,811,557	\$ 190,369	\$ 44,800	\$ 235,169	\$ 5,046,726

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Statements of Cash Flows
Years Ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 390,798	\$ 136,411
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	159,291	161,219
Changes in operating assets and liabilities:		
Grants receivable	34,406	(5,718)
Prepaid expenses	757	7,614
Accounts payable	(53,488)	20,701
Accrued wages and benefits	(33,498)	(100,932)
Net Cash Provided by Operating Activities	498,266	219,295
Cash Flows from Investing Activities		
Purchases of property and equipment	(7,741)	(140,499)
Net Cash Used in Investing Activities	(7,741)	(140,499)
Cash Flows from Financing Activities		
Proceeds from borrowings	-	330,134
Principal payments on notes payable	-	(105,270)
Net Cash Provided by Financing Activities	-	224,864
Net Increase in Cash	490,525	303,660
Cash at Beginning of Year	624,440	320,780
Cash at End of Year	<u>\$ 1,114,965</u>	<u>\$ 624,440</u>
Supplemental Disclosures		
Interest paid	<u>\$ 9</u>	<u>\$ 2,071</u>
Noncash Investing and Financing Transaction		
Acquisition of office equipment - capital lease obligation	<u>\$ 74,412</u>	<u>\$ -</u>

See notes to financial statements.

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Central City Cyberschool of Milwaukee, Inc. (the “Organization”) is a non-profit, non-denominational and non-sectarian charter school pursuant to a contract with the City of Milwaukee. The Organization’s primary mission is to motivate children from the inner city to learn the skills and critical thinking necessary for a successful future.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and the provisions of Accounting Standards update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities* which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and are available for use in carrying out the activities of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and Organization grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

Functional Expense Allocation

The costs of providing the program and supporting service activities have been summarized on a functional basis in the statement of activities. Some of these costs have been directly charged to the activities while other expenses that are attributable to both program and supporting services require allocation on a reasonable basis that is consistently applied. Administrative salaries and benefits are allocated based on estimates of time and effort.

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions in checking and savings accounts.

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at July 31, 2021 or 2020.

Grants Receivable

Grants receivable includes amounts for revenue from government grants earned, but not yet received, as of year-end. No allowance for doubtful accounts is considered necessary as of July 31, 2021 and 2020. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

Property and Equipment

All property and equipment acquisitions in excess of \$5,000 are capitalized, whereas costs of maintenance and repair are charged to expense as incurred. Purchased property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Donated capitalized property is recorded at the estimated fair value at the date of donation.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. Conditional contributions are recognized when all barriers to entitlement are overcome. Unconditional contributions are recognized as revenue when received or promised.

Contributions received with donor-imposed or grantor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions. All other donor-restricted or grantor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grants are recorded as contributions or exchange transactions as determined by the criteria in the grant award. Grants that are contributions are recognized as revenue in the period when the related expenses are incurred or as the contribution is received. Amounts received in which conditions have not been met are reported as a refundable advance liability. Grants that are considered exchange transactions are recognized as revenue in the period the service is performed.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with fundraising campaigns and program services.

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation.

The Organization follows accounting for uncertainty in income taxes which describes a recognition and measurement of a tax position taken or expected to be taken and also provides guidance on derecognition, interest and penalties, and disclosure. Management has reviewed all tax positions taken, if any, and those expected to be taken in future tax returns. As of July 31, 2021 and 2020, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

The Organization is no longer subject to U.S. federal income tax examinations for years ending before July 31, 2018.

New Accounting Pronouncement

Due to the Financial Accounting Standards Board's (FASB) issuance of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued updates, the Organization has adopted the changes in the new guidance. The new guidance establishes principles for an organization regarding the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization is entitled to in exchange for those goods or services. The Organization implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. This has been applied retrospectively to all periods presented, with no effect on net assets.

Note 2 - Property and Equipment

Property and equipment at July 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Computer hardware and software	\$ 700,974	\$ 700,974
Construction in progress	89,195	81,455
Leasehold improvements	5,600	5,600
Furniture and fixtures	371,554	297,142
Building and improvements	<u>4,006,678</u>	<u>4,006,678</u>
	5,174,001	5,091,849
Less: accumulated depreciation and amortization	<u>(3,022,984)</u>	<u>(2,863,694)</u>
Net Property and Equipment	<u>\$ 2,151,017</u>	<u>\$ 2,228,155</u>

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 3 - Note Payable

The note payable as of July 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable from the Paycheck Protection Program at a fixed rate of 1%. Principal payments begin six months after loan origination for 18 months with a final payment due April 2022. The loan is subject to forgiveness by the Small Business Administration if the Organization meets applicable staffing and spending criteria. The loan was forgiven on August 3, 2021.	\$ 280,134	\$ 280,134
	280,134	280,134
Less: Current Portion	<u>(280,134)</u>	<u>(138,838)</u>
Total Long-term Debt	<u>\$ -</u>	<u>\$ 141,296</u>

The future estimated minimum required principal payments to retire the long-term debt outstanding are as follows:

Year Ended <u>July 31,</u>	<u>Amount</u>
2022	<u>\$ 280,134</u>
Total	<u><u>\$ 280,134</u></u>

In April, 2020 the Organization received loan proceeds in the amount of \$280,134 under the Paycheck Protection Program ("PPP"), which was established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, certain employee benefits, rent, and utilities, with a minimum of 60% being used for payroll costs. The amount of loan forgiveness will also be reduced if the borrower does not maintain its payroll levels or reduces salaries during the period.

The Organization is allowed to account for the funds under the American Institute of Certified Public Accountants guidance as a conditional contribution under FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* whereby the revenue is recognized as the conditions are met or as a loan under FASB ASC 470, *Debt* whereby the revenue is recognized when the Organization is legally released from the obligation. The Organization has elected to account for the funds received as a loan under FASB ASC 470, *Debt*.

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 4 - Line of Credit

As of July 31, 2021 and 2020, the Organization has available a \$50,000 line of credit from North Shore Bank. Interest is paid on the outstanding balance at a rate of 0.5 percent over the highest U.S. Prime Rate as published in the Wall Street Journal "Money Rates" Section, not to be less than 4.75% per annum. The line matures on March 15, 2023. No balance existed on the line of credit at July 31, 2021 or 2020. The line is secured by all future mortgages and security agreements.

Note 5 - Capital Lease

The Organization entered into two capital leases during the year ended July 31, 2021 for three copiers and a postage meter. The leased equipment is depreciated on a straight-line basis over 5 years. Total accumulated depreciation related to the leased equipment is \$72 at July 31, 2021. Depreciation expense for capital lease assets was \$72 for the year ended July 31, 2021.

The interest rates related to the lease obligations are 7.4% and 12.1% and mature in October 2026 and June 2026, respectively. As of July 31, 2021, the future minimum lease payments required under the capitalized leases and the present value of the net minimum lease payments are as follows:

	Year Ended July 31,	Amount
	2022	\$ 17,005
	2023	17,298
	2024	17,298
	2025	17,298
	2026	17,298
	Thereafter	4,031
		<hr/>
Total minimum lease payments		90,228
Less amount representing interest		(15,816)
		<hr/>
Present value of future minimum lease payments		\$ 74,412
		<hr/> <hr/>

Note 6 - Net Assets Without Donor Restrictions - Board Designated

The Organization's board designated net assets without donor restrictions are as follows:

	2021	2020
	<hr/>	<hr/>
Capital improvements	\$ 75,000	\$ 50,000
	<hr/> <hr/>	<hr/> <hr/>

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 7 - Liquidity and Availability

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash for approximately one month of operating expenses. Additionally, to manage liquidity the Organization has available a line of credit of \$50,000, which would be drawn upon if needed during the year to manage cash flow. The Organization can rely on a lower cash balance as it is funded through quarterly allocation of per pupil aid and cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred an organization can request reimbursement from the funding source.

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of July 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,114,965	\$ 624,440
Grants receivable	<u>477,445</u>	<u>511,851</u>
Subtotal financial assets	1,592,410	1,136,291
Less amounts unavailable for general expenditures within one year:		
Board designated	<u>(75,000)</u>	<u>(50,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,517,410</u>	<u>\$ 1,086,291</u>

As of July 31, 2021 and 2020, financial assets not available for general expenditures include \$75,000 and \$50,000, respectively, of board designated funds to be used for capital improvements; however, amounts could be made available, if necessary.

Note 8 - Conditional Federal Grants

Certain federal grants may be considered conditional contributions upon which the revenue is recorded as the allowable qualifying expenses are incurred. For the year ended July 31, 2021, the conditional federal grants are as follows:

Conditional grant amount	\$ 1,402,937
Previously recognized	-
Currently recognized	<u>(301,544)</u>
Remaining Conditional Balance as of July 31, 2021	<u>\$ 1,101,393</u>

Central City Cyberschool of Milwaukee, Inc.
Notes to Financial Statements
Years Ended July 31, 2021 and 2020

Note 9 - Retirement Plan

The Organization sponsors a Code Section 403(b) defined contribution plan for its full-time employees. The plan covers all full-time employees after one year of service. The plan provides for separate accounts for each participant. Each plan participant may make tax-deferred contributions to the plan. The Organization matches all participant plan contributions up to a maximum of 5% of employees' salaries. Plan contributions are fully vested and non-forfeitable. The Organization contributed \$60,973 and \$72,521 to the plan during the years ended July 31, 2021 and 2020, respectively.

Note 10 - Lease Commitments

The Organization had non-cancellable operating leases for its office equipment through July 31, 2021.

Payments incurred under all lease agreements were approximately \$33,563 and \$29,512 for the years ended July 31, 2021 and 2020, respectively.

The Organization had non-cancellable operating leases for its buildings beginning July 1, 2019 through June 30, 2020. In lieu of lease payments, the Organization paid for repairs and maintenance costs for the building. As of July 31, 2021, the Organization continued to occupy the premises without a signed lease.

Note 11 - Concentration of Cash

The Organization maintains depository accounts with North Shore Bank, and the Organization's balances at times may exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At July 31, 2021 and 2020, the Organization's uninsured cash balances total \$878,010 and \$388,099, respectively.

Note 12 - Concentration of Revenues

During the years ended July 31, 2021 and 2020, the Organization received 95.5% and 99.7% of its funding from the Wisconsin Department of Public Instruction, respectively.

Note 13 - Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of July 31, 2021.

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through November 24, 2021, the date which the financial statements were available to be issued.

Central City Cyberschool of Milwaukee, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended July 31, 2021

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	Federal CFDA/ State ID Number	Pass-Through Entity Identifying Number	Accrued (Deferred) Revenue 8/1/20	Cash Received	Federal and State Expenditures	Accrued (Deferred) Revenue 7/31/21
<u>U.S. Department of Agriculture</u>						
Wisconsin Department of Public Instruction						
<i>Child Nutrition Cluster</i>						
<i>National School Lunch Program (NSLP)</i>						
Donated commodities - non-cash	10.555	-	\$ -	\$ 19,870	\$ 19,870	\$ -
		Total Child Nutrition Cluster	-	19,870	19,870	-
 <i>Fresh Fruit and Vegetable Program</i>	10.582	2021-408105-DPI-FFVPJULPUB-594 & 2021-408105-DPI-FFVPOCTPUB-376	-	17,912	17,912	-
		Total U.S. Department of Agriculture	-	37,782	37,782	-
<u>U.S. Department of Education</u>						
Wisconsin Department of Public Instruction						
<i>Title I Grants to Local Educational Agencies</i>	84.010	2021-408105-DPI-TIA-141	217,937	273,144	275,665	220,458
<i>Special Education Cluster (IDEA)</i>						
<i>Special Education - Grants to States (IDEA, Part B)</i>	84.027	2021-408105-DPI-IDEA-FT-341	85,326	85,326	23,995	23,995
<i>Special Education - Preschool Grants (IDEA Preschool)</i>	84.173	2021-408105-DPI-IDEA-P-347	469	469	1,092	1,092
		Total Special Education Cluster (IDEA)	85,795	85,795	25,087	25,087
 <i>Charter Schools</i>	84.282	2021-408105-DPI-WCSP1-360	473	48,593	74,678	26,558
<i>Twenty-First Century Community Learning Centers</i>	84.287	2021-408105-DPI-T-IV-B-367	130,466	130,466	82,462	82,462
<i>Supporting Effective Instruction State Grant</i>	84.367	2021-408105-DPI-TIIA-365	27,789	27,789	32,774	32,774
<i>Student Support and Academic Enrichment Program</i>	84.424	2021-408105-DPI-TIV-A-DPI-381	18,146	37,283	19,137	-
<i>Governors Emergency Education Relief Fund - COVID 19</i>	84.425C	2021-408105-DPI-GEERF-162	-	68,696	68,696	-
<i>Elementary and Secondary School Emergency Relief-COVID 19</i>	84.425D	2021-408105-DPI-ESSERF-160	-	135,256	222,743	87,487
		Total U.S. Department of Education	480,606	807,022	801,242	474,826
		Total Expenditures of Federal Awards	\$ 480,606	\$ 844,804	\$ 839,024	\$ 474,826

See notes to schedule of expenditures of federal and state awards.

Central City Cyberschool of Milwaukee, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended July 31, 2021

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	Federal CFDA/ State ID Number	Pass-Through Entity Identifying Number	Accrued (Deferred) Revenue 8/1/20	Cash Received	Federal and State Expenditures	Accrued (Deferred) Revenue 7/31/21
State of Wisconsin						
Wisconsin Department of Public Instruction						
<i>Special Education and School Age Parents</i>	255.101	408105-100	\$ -	\$ 73,326	\$ 73,326	\$ -
<i>State School Lunch Aid</i>	255.102	408105-107	-	3,137	3,137	-
<i>Charter School State Aid</i>	255.109	408105-115	-	3,812,640	3,812,640	-
<i>School Based Mental Health Services Grant</i>	255.297	408105-177	26,500	99,621	73,121	-
<i>Educator Effective Eval Sys Grants Public</i>	255.940	408105-154	-	-	2,320	2,320
<i>Assessments of Reading Readiness</i>	255.956	408105-166	-	1,668	1,668	-
		Total Wisconsin Department of Public Instruction	<u>26,500</u>	<u>3,990,392</u>	<u>3,966,212</u>	<u>2,320</u>
Wisconsin Department of Justice						
<i>School Safety Initiative - SSIT and Mental Health Training</i>	-	13579 & 14462	<u>4,745</u>	<u>20,969</u>	<u>16,224</u>	<u>-</u>
		Total Expenditures of State Awards	<u>\$ 31,245</u>	<u>\$ 4,011,361</u>	<u>\$ 3,982,436</u>	<u>\$ 2,320</u>

See notes to schedule of expenditures of federal and state awards.

Central City Cyberschool of Milwaukee, Inc.
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended July 31, 2021

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Central City Cyberschool of Milwaukee, Inc. under programs of the federal and state government for the year ended July 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of Central City Cyberschool of Milwaukee, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Central City Cyberschool of Milwaukee, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Central City Cyberschool of Milwaukee, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of
Central City Cyberschool of Milwaukee, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central City Cyberschool of Milwaukee, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central City Cyberschool of Milwaukee, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central City Cyberschool of Milwaukee, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Central City Cyberschool of Milwaukee, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Central City Cyberschool of Milwaukee, Inc.'s Response to Finding

Central City Cyberschool of Milwaukee, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Central City Cyberschool of Milwaukee, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin
November 24, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

To the Board of Directors of
Central City Cyberschool of Milwaukee, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited Central City Cyberschool of Milwaukee, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Central City Cyberschool of Milwaukee, Inc.'s major federal and state programs for the year ended July 31, 2021. Central City Cyberschool of Milwaukee, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central City Cyberschool of Milwaukee, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines (Guidelines)*. Those standards, the Uniform Guidance and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Central City Cyberschool of Milwaukee, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Central City Cyberschool of Milwaukee, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, Central City Cyberschool of Milwaukee, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended July 31, 2021.

Report on Internal Control Over Compliance

Management of Central City Cyberschool of Milwaukee, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central City Cyberschool of Milwaukee, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central City Cyberschool of Milwaukee, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.



Waukesha, Wisconsin
November 24, 2021

Central City Cyberschool of Milwaukee, Inc.
Summary Schedule of Prior Audit Findings
Year Ended July 31, 2021

2020-001 Finding: The Organization did not have adequate and effective controls over compliance related to the Uniform Guidance procurement requirements. The Organization does not have a written procurement policy that meets the requirements of Uniform Guidance.

 Status: A policy was created and approved by DPI. The policy includes adequate and effective controls related to the Uniform Guidance procurement requirements. In addition, three staff members attended the Federal Funding Conference in February of 2021.

Central City Cyberschool of Milwaukee, Inc.
Schedule of Findings and Questioned Costs
Year Ended July 31, 2021

A. Summary of Auditor's Results

Financial Statements

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

Federal Award Findings and Questioned Costs

- | | |
|---|---------------|
| 4. Internal control over major federal programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency (ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 7. Identification of major federal programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.425C	Governor's Emergency Education Relief Fund - COVID 19
84.425D	Elementary and Secondary School Emergency Relief Fund - COVID 19

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

State Award Findings and Questioned Costs

- | | |
|---|------------|
| 10. Internal control over major state programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency (ies) identified? | No |
| 11. Type of auditor's report issued on compliance for major state programs: | Unmodified |
| 12. Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ? | No |

13. Identification of major state programs:

<u>State ID Number(s)</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.109	Charter School State Aid

14. Dollar threshold used to distinguish between type A and type B programs: \$250,000

B. Financial Statement Findings None

C. Federal and State Award Findings and Questioned Costs None

D. Other issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines* :
Department of Public Instruction No

3. Was a Management letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner Valerie A. Boylston CPA

5. Date of report November 24, 2021