

The Milwaukee Science Education Consortium, Inc., d/b/a Milwaukee Academy of Science

Financial Statements and Supplementary Information

Years Ended June 30, 2021 and 2020



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Milwaukee Science Education Consortium, Inc.

Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Milwaukee Science Education Consortium, Inc.
Milwaukee, WI

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee Science Education Consortium, Inc. (the "Organization") d/b/a Milwaukee Academy of Science, which comprise the statements of financial positions as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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; 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 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 Milwaukee Science Education Consortium, Inc. as of June 30, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Milwaukee Science Education Consortium, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information includes the 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*, issued by the Wisconsin Department of Administration, is presented for the 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 audit 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. 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 October 25, 2021, on our consideration of Milwaukee Science Education Consortium, 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 Milwaukee Science Education Consortium, 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 Milwaukee Science Education Consortium, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

October 25, 2021

Milwaukee Science Educational Consortium, Inc.

Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 7,748,283	\$ 4,639,754
Accounts receivable	10,037	11,953
Prepaid expenses	141,908	33,748
Grants receivable	456,725	192,178
Promises to give, current portion	337,244	50,000
Total current assets	8,694,197	4,927,633
Other assets:		
Reserve funds - Restricted	1,739,946	1,694,718
Promises to give, net of current portion	29,644	93,438
Total other assets	1,769,590	1,788,156
Property and equipment:		
Land and land improvements	300,000	300,000
Building and building improvements	12,529,073	12,405,409
Equipment	451,095	430,268
Construction in progress	566,671	120,538
Total property and equipment	13,846,839	13,256,215
Less - Accumulated depreciation and amortization	(5,064,077)	(4,668,039)
Property and equipment, net	8,782,762	8,588,176
TOTAL ASSETS	\$ 19,246,549	\$ 15,303,965

See accompanying notes to the financial statements

Milwaukee Science Educational Consortium, Inc.

Statements of Financial Position (Continued)

June 30, 2021 and 2020

Liabilities and Net Assets	2021	2020
Current liabilities:		
Current portion of bonds and notes payable	\$ 205,000	\$ 290,000
Accounts payable	882,755	140,724
Accrued payroll and payroll taxes	522,837	477,573
Refundable advance liability	44,235	74,425
Accrued interest	270,208	273,870
Other accrued expenses	6,662	6,300
Total current liabilities	1,931,697	1,262,892
Bonds and notes payable, net	9,887,852	10,061,016
Total liabilities	11,819,549	11,323,908
Net assets:		
Without donor restrictions	5,961,801	3,536,998
With donor restrictions	1,465,199	443,059
Total net assets	7,427,000	3,980,057
TOTAL LIABILITIES AND NET ASSETS	\$ 19,246,549	\$ 15,303,965

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Federal grant revenue	\$ 2,424,917	\$ -	\$ 2,424,917	\$ 1,674,022	\$ -	\$ 1,674,022
State grant revenue	11,304,798	128,584	11,433,382	10,553,421	-	10,553,421
Contributions	1,198,207	1,336,615	2,534,822	780,368	100,000	880,368
Special Events	160	-	160	10,100	-	10,100
Fee for service	-	-	-	4,813	-	4,813
Uniform sales and other fees	-	-	-	5,270	-	5,270
Interest income	5,510	-	5,510	32,483	-	32,483
Other income	98,993	-	98,993	94,951	-	94,951
Total support and revenue before net assets released from restrictions	15,032,585	1,465,199	16,497,784	13,155,428	100,000	13,255,428
Net assets released from restrictions	443,059	(443,059)	-	277,560	(277,560)	-
Total support and revenue	15,475,644	1,022,140	16,497,784	13,432,988	(177,560)	13,255,428
Expenses:						
Program services expense	11,112,683	-	11,112,683	10,883,851	-	10,883,851
Supporting services expense:						
Management and general	1,526,865	-	1,526,865	1,472,513	-	1,472,513
Fundraising and development	411,293	-	411,293	288,945	-	288,945
Total expenses	13,050,841	-	13,050,841	12,645,309	-	12,645,309
Change in net assets	2,424,803	1,022,140	3,446,943	787,679	(177,560)	610,119
Net assets at beginning of year	3,536,998	443,059	3,980,057	2,749,319	620,619	3,369,938
Net assets at end of year	\$ 5,961,801	\$ 1,465,199	\$ 7,427,000	\$ 3,536,998	\$ 443,059	\$ 3,980,057

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,446,943	\$ 610,119
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	396,039	354,779
Debt issuance costs amortized to interest	31,836	31,836
Changes in operating assets and liabilities:		
Promises to give	(223,450)	52,611
Grants receivable	(264,547)	8,890
Accounts receivables	1,916	(11,099)
Prepaid expenses	(108,160)	150,373
Accounts payable	742,031	(395,435)
Accrued payroll and payroll taxes	45,264	35,591
Accrued interest	(3,662)	(3,100)
Other accrued expenses	362	6,115
Debt issuance costs	(46,997)	
Refundable advance liability	(30,190)	74,425
Net cash from operating activities	3,987,385	915,105
Cash flows from investing activities:		
Deposits to reserve funds - Restricted	13,804,675	13,082,653
Distributions from reserve funds - Restricted	(13,849,903)	(13,086,432)
Purchases of property, plant and equipment	(590,625)	(481,737)
Net cash from investing activities	(635,853)	(485,516)
Cash flows from financing activities:		
Principal payments on bonds and notes payable	(243,003)	(235,000)
Net increase in cash and cash equivalents	3,108,529	194,589
Cash and cash equivalents at beginning of year	4,639,754	4,445,165
Cash and cash equivalents at end of year	\$ 7,748,283	\$ 4,639,754
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 641,581	\$ 686,560

See accompanying notes to the financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Functional Expenses

Year Ended June 30, 2021

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 5,895,452	\$ 112,889	\$ 222,534	\$ 6,230,875
Payroll taxes	379,958	52,607	-	432,565
Employee benefits	836,411	112,348	36,743	985,502
Purchased services	244,681	552,708	81,541	878,930
Advertising and recruitment	1,750	-	13,399	15,149
Food services	109,891	-	-	109,891
Student transportation	816,552	-	-	816,552
Curriculum materials and supplies	225,230	212	-	225,442
Uniforms	20,465	(3,616)	-	16,849
Computer supplies	17,199	186,479	-	203,678
Office supplies	118,894	26,267	6,456	151,617
Telephone and communications	37,409	213	-	37,622
Utilities	340,235	39,051	11,901	391,187
Repairs and maintenance	977,329	298,847	32,890	1,309,066
Travel	-	137	255	392
Charter fee	-	38,125	-	38,125
Insurance	-	2,057	-	2,057
Depreciation and amortization	376,237	19,802	-	396,039
Miscellaneous	71,765	9,405	5,574	86,744
Contributions	-	2,112	-	2,112
Occupancy	-	43,368	-	43,368
Interest and fiscal charges	643,225	33,854	-	677,079
Total expenses	\$ 11,112,683	\$ 1,526,865	\$ 411,293	\$ 13,050,841

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Functional Expenses (Continued)

Year Ended June 30, 2020

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 5,477,455	\$ 104,885	\$ 206,756	\$ 5,789,096
Payroll taxes	434,369	8,318	16,396	459,083
Employee benefits	706,208	204,684	-	910,892
Purchased services	185,564	236,116	-	421,680
Advertising and recruitment	4,377	8,021	-	12,398
Food services	504,710	-	-	504,710
Student transportation	979,929	-	-	979,929
Curriculum materials and supplies	90,214	29,334	-	119,548
Uniforms	31,204	4,056	-	35,260
Computer supplies	29,218	38,234	-	67,452
Office supplies	90,081	105,013	-	195,094
Telephone and communications	4,660	73,180	-	77,840
Utilities	362,125	-	-	362,125
Repairs and maintenance	944,820	288,907	31,796	1,265,523
Staff development	4,680	89	-	4,769
Travel	41,770	220	-	41,990
Charter fee	-	206,646	-	206,646
Insurance	-	72,808	-	72,808
Depreciation and amortization	337,040	17,739	-	354,779
Miscellaneous	110	8,231	-	8,341
Contributions	138	-	-	138
Special events	-	31,551	33,997	65,548
Interest and fiscal charges	655,178	34,482	-	689,660
Total expenses	\$ 10,883,851	\$ 1,472,513	\$ 288,945	\$ 12,645,309

See accompanying notes to financial statements.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Milwaukee Science Education Consortium, Inc. d/b/a Milwaukee Academy of Science (the "School") is a not-for-profit corporation incorporated on January 20, 1999 under Chapter 181 of the Wisconsin Statutes. The School operates a K4-12 College Preparatory School in Milwaukee, Wisconsin with a curriculum focused on Science, Technology, Engineering, and Math.

The School has entered into a charter school contract with the City of Milwaukee (the "City"). The contract is for a five year period, expiring in June 2023. The City can terminate the contract with the School if the City finds that the School (a) violated the terms of the contract, (b) pupils failed to make sufficient progress towards attaining the state's educational goals and expectations, (c) failed to comply with generally accepted accounting standards of fiscal management, or (d) violated the charter school law.

Basis of Presentation

The financial statements of School have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The School adopted this guidance as of July 1, 2020 and applied Topic 606 on a modified retrospective basis and elected the practical expedients in paragraph FASB Accounting Standards Codification (ASC) 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There was no change to reported revenue, net assets, or the change in net assets for either period presented.

Use of Estimates

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain 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 reporting period. Actual results could differ from those estimates.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are recorded when the School has a right to consideration in exchange for goods or services that the School has transferred to students or others. Accounts receivable consist primarily of amounts due for tuition payments and are generally uncollateralized. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The School considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Cash and Cash Equivalents

The School considers all highly liquid debt instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Investments held by trustee are excluded from this definition. Cash and cash equivalents included in investment accounts are considered investments.

Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge. The discount rate used for the years ended June 30, 2021 and 2020 were 1.07% and 0.54%, respectively.

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts.

Investments - Restricted Reserve Funds

Investments are recorded at fair value. Donated investments are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation). Investment income (including realized and unrealized gains and losses, interest, and dividends) are reported as revenue without donor restrictions unless the income is restricted by donor or law. Investment expenses, including direct internal investment expenses, if any, are netted with investment return on the statement of activities.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reserve Funds - Restricted

Reserve Funds - Restricted on the statements of financial position consists of four separate funds. The debt service fund holds funds to pay for the bond's expenses, the principal fund holds funds to pay the bond's annual principal payment, the repair fund is a fund where the School is required to keep 2% of budgeted operating expenses for emergency expenses to be used to maintain the building, and the interest fund is used to pay the bonds interest expense. The School is able to access the funds of the debt service, principal and interest funds to be used for their restricted purpose. The School must get the permission of the bond holder in order to access the repair fund. The funds are invested in money market funds.

Property and Equipment

All acquisitions and improvements of property and equipment of \$5,000 at cost or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term.

Debt Issuance Costs

Debt issuance costs represent costs associated with obtaining debt. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method, which approximates the effective interest method.

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The School recognizes revenue from the following sources:

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions, at the donor's estimated fair value, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

The School does not record a receivable for pledges made by members that are considered to be intentions to give rather than obligations to pay.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Government Grants

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Charter School Membership Program

The School participates in the Charter School Membership Program (the "Membership Program"), administered by the Wisconsin Department of Public Instruction ("DPI"). Under the Membership Program, the School receives tuition vouchers for students participating in the Membership Program whose families meet certain income and residency eligibility requirements. The School submits official enrollments for September and January and payments of vouchers are remitted to the School in September, December, February, and June based on enrollment data from DPI. Membership revenue contracts contain only one performance obligation, which is providing educational instruction for the nine-month school year covered by the contract. Revenue is recognized in the year in which the educational services are rendered. Revenue is recognized over time in the year in which the educational services are rendered as described above. Revenues from the Membership Program are included in state grant revenue on the statements of activities.

Tuition vouchers received by the School under the Membership Program are subject to potential refund to DPI should the School fail to adhere to certain program requirements including the incurrence of eligible educational costs. At June 30, 2021 and 2020, management has determined that no amounts are anticipated to be refunded to DPI and accordingly, no liability for refunds has been recorded by the School.

Federal and State Child Nutrition Cluster Grants

The School receives funding from the State of Wisconsin Department of Public Instruction and the United States Department of Agriculture to provide free and/or reduced cost meals to eligible children and their families. Awards under this program are considered to be conditional contributions and are recognized as revenue as allowable qualifying expenses are incurred.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Elementary and Secondary Emergency Education Relief Fund (ESSER)

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included Elementary and Secondary Emergency Education Relief Fund (ESSER) funds to local educational agencies (LEAs) in Wisconsin. These funds provide emergency financial assistance to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. This funding supports what is known as “equitable participation.” The School received services and benefits from the LEA through ESSER for \$564,350 for the year ended June 30, 2021. The revenues associated with this program are reflected in the statement of activities in federal grant revenue.

Governor's Emergency Education Relief (GEER) Grant Program

The Governor's Emergency Education Relief (GEER) Grant Program, which was part of the CARES Act, provides funds to help LEAs respond to changes in student needs due to COVID-19. The CARES Act required DPI to determine which LEAs were most impacted by COVID-19, and only those LEAs determined to be most impacted are eligible for the funds. Equitable participation for private school students applies to GEER grant funds. The School received services and benefits from the LEA through ESSER for \$70,054 for the year ended June 30, 2021. The revenues associated with this program are reflected in the statement of activities in federal grant revenue.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was \$15,149 and \$12,398 for the years ended June 30, 2021 and 2020, respectively.

Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Costs are directly charged to Program and Administration when costs are directly identifiable with the program or supporting function. Salaries and wages, employee benefits and payroll taxes are charged based on the percentage of total staff hours spent in each program area. Expenses that are not directly charged require allocation on a reasonable basis that is consistently applied. Expenses that are directly related to the amount of physical space a program area occupies are allocated based on the percentage of total building space. Other costs are allocated based on the percentage of the total amount of direct expenses in each program area which approximates time and effort.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Income Taxes

The School is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The School is also exempt from state income tax on the related income. The School is a religious organization as described in Section 501(c)(3) of the Code and is exempt from filing annual federal and state returns.

The School recognizes the benefits of a tax position only after determining whether it is more likely than not that a taxing authority would sustain the tax position upon examination of the technical merits of the tax position, assuming the taxing authority has the full knowledge of all information. The School recorded no assets or liabilities related to uncertain tax positions.

New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02, including various amendments, updates, and clarifications, will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for the School in fiscal 2023, with early adoption permitted. ASU No. 2016-02 must be applied retrospectively. The School is currently evaluating the impact of the provisions of ASU No. 2016-02.

Subsequent Events

The School has evaluated events through October 25, 2021, which is the date the financial statements were available to be issued.

Reclassification

Certain amounts as previously reported in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 2: Promises to Give

Promises to give as of June 30, 2021 and 2020 are due as follows:

	2021	2020
Receivable Within One Year	\$ 337,244	\$ 50,000
Receivable in One to Two Years	36,206	100,000
Total	373,450	150,000
Less: Discount to Net Present Value	(6,562)	(6,562)
Total	\$ 366,888	\$ 143,438

A reserve for uncollectible amounts was deemed not necessary by management.

Note 3: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

- Money market funds are measured using \$1 as the net asset value (NAV).

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at June 30, 2021 and 2020:

	Fair Value of Assets as of June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 1,739,946	\$ -	\$ 1,739,946

	Fair Value of Assets as of June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 1,694,718	\$ -	\$ 1,694,718

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 4: Investments

Investments at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Money market funds	\$ 1,739,946	\$ 1,694,718

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30:

<i>Years Ended June 30, 2021 and 2020</i>	2021	2020
Land and land improvements	\$ 300,000	\$ 300,000
Buildings and building improvements	12,529,073	12,405,409
Fixed equipment	451,095	430,268
Construction in progress	566,671	120,538
Total property and equipment	13,846,839	13,256,215
Less - Accumulated depreciation	(5,064,077)	(4,668,039)
Property and equipment - Net	\$ 8,782,762	\$ 8,588,176

Construction in progress consists of floor expansion and a new gym design at the School as of June 30, 2021.

Note 6: Bonds and Notes Payable

Redevelopment Education Refunding Revenue Bonds, Series 2013A

The School has a promissory note with the Redevelopment Authority of the City of Milwaukee ("RACM") for the principal amount of the Series 2013A Redevelopment Education Refunding Revenue Bonds ("Revenue Bonds") issued by RACM. A security interest was granted to RACM on all investment property, accounts receivable, deposit accounts, equipment, inventory, and intangible interests owned by the School. RACM entered into a trust agreement naming Zions First National Bank as trustee for the disbursement of proceeds, payments of principal and interest, and collection of debt service payments. RACM assigned all of its rights under the promissory notes, mortgage, and security agreement to the trustee. The trust agreement for the bonds requires the School to maintain a minimum amount on deposit, the "debt service reserve," with the bond trustee. The School makes all debt service payments directly to the trustee, who then makes payments of principal and interest to the bondholders.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 6: Bonds and Notes Payable (Continued)

The total principal amount of the promissory note outstanding was \$10,510,000 and \$10,700,000 as of June 30, 2021 and 2020, respectively. The interest rates on the bonds range from 4.75% to 6.25%, depending on the length of the time to maturity for each series of bonds, with interest-only payments due semi-annually. Installments are due on August 1, with principal maturing in varying annual amounts through August 1, 2043.

Required Payments of Principal

Future principal payments on the RACM Revenue Bonds at June 30, 2021, are as follows:

	Revenue Bonds 2013A
2022	\$ 205,000
2023	215,000
2024	220,000
2025	230,000
2026	245,000
Thereafter	9,395,000
Total	\$ 10,510,000

Cost incurred in issuing the revenue bonds are being amortized using the straight-line method over the life of the related debt, which is approximately 25 years. Amortization expense was \$31,836 and \$31,836 for 2021 and 2020 related to this debt.

Bonds and notes payable and debt issuance costs are presented in the accompanying statement of financial position as of June 30, is as follows:

	2021	2020
\$11,010,000 Redevelopment Education Refunding Revenue Bonds, Series 2013A, secured by a mortgage on real estate and an assignment of revenues, due in annual installments of \$125,000 to \$895,000 from August 1, 2018 through August 1, 2043, interest of 4.75% to 6.25%	\$ 10,510,000	\$ 10,700,000
\$450,000 note payable to bank, secured by pledge receipts, due in annual installments of \$50,000 to \$100,000 through December 31, 2020, interest 3.00%	-	100,000
Total notes payable	10,510,000	10,900,000
Less - Unamortized debt issuance costs	(417,148)	(448,984)
Less - current portion	(205,000)	(290,000)
Notes payable, net of current portion	\$ 9,887,852	\$ 10,161,016

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 6: Bonds and Notes Payable (Continued)

The School's bonds payable contain restrictive provisions and financial covenants which must be met to avoid default on loan. The financial covenants are measured on an annual basis.

Note 7: Line of Credit

The School maintains a line of credit with BMO Harris Bank N.A. in the amount of \$250,000 with an interest rate equal to one month LIBOR plus 4.00 percentage points. The effective rate at June 30, 2021 and 2020, was 4.09% and 4.16%. The line of credit has no maturity date.

The School has made no draws from the line of credit for the years ended June 30, 2021 and 2020.

Note 8: Liquidity and Availability of Financial Resources

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available fund. The School has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a twelve month period, the School considers all expenditures related to its ongoing activities of teaching and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next twelve months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	2021	2020
Cash and Cash Equivalents	\$ 7,748,283	\$ 4,639,754
Accounts receivable	10,037	11,953
Grants receivable	456,725	192,178
Promises to give, current portion	337,244	50,000
Less: Net assets with donor restrictions subject to purpose restriction	(1,071,916)	(197,010)
Total current assets available for general expenditure	\$ 7,480,373	\$ 4,696,875

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Subject to the Passage of Time:		
Operations	\$ -	\$ 100,000
Promises to give	366,888	146,049
Subject to Purpose Restrictions:		
Food Service Program	325,594	197,010
Expansion Project	752,217	-
Summer School	10,000	-
Scholarship	500	-
Computer Science	10,000	-
Total Net Assets with Donor Restrictions	\$ 1,465,199	\$ 443,059

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Expiration of Time Restrictions:		
Pledges receivable	\$ 246,049	\$ 50,000
Satisfaction of Purpose Restrictions:		
Food Service Program	447,019	227,560
Expansion	566,672	-
Total Net Assets Released from Donor Restrictions	\$ 1,259,740	\$ 277,560

Note 10: Accounts Receivable and Contract Balances

Contract assets arise when the School transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the School is able to invoice the customer. As of June 30, 2021 and 2020, and as of July 1, 2019, the School did not have any contract assets. Contract liabilities represent the School's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as tuition deposits and deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 10: Accounts Receivable and Contract Balances (Continued)

Opening and closing balances for accounts receivable and contract liabilities arising from contracts with customers include:

	6/30/2021	6/30/2020	7/1/2019
Accounts Receivable	\$ 10,037	\$ 11,953	\$ 854
Contract liabilities - Deferred revenue	\$ 44,235	\$ 74,425	\$ -

Note 11: Disaggregation of Revenues from Contracts with Customers

The following is a breakdown of the School's revenues from contracts with customers by source:

	2021		2020
Revenues recognized at a point in time			
Special events	\$ 160	\$	10,100
Total recognized at a point in time	160		10,100
Revenues recognized over time			
Membership program revenue	11,247,293		10,363,192
Total revenues from contracts with customers	\$ 11,247,453	\$	10,373,292

Note 12: Concentrations of Risk

The School maintains cash balances at BMO Harris Bank and at high-quality brokerage firms. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The School has never experienced any losses related to these balances.

State revenue from the Charter School Program, a main source of revenue for the School, accounts for 84% and 78% of total support and revenue for the years ended June 30, 2021 and 2020, respectively.

Note 13: Employee Benefits

The Organization has a qualified 403(b) Plan for its employees. The Organization matches 50% of the first \$1,000 of employee contributions to the plan. The Organization made contributions totaling \$15,501 and \$54,581 for the years ended June 30, 2021 and 2020, respectively.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 14: Related Parties

A board member of Milwaukee Science Education Consortium, Inc. is also an officer of Associates Building Maintenance, who provides buildings and grounds maintenance services to the School. The School paid \$564,212 and \$454,936 to Associates Building Maintenance, for maintenance services, during the years ended June 30, 2021 and 2020, respectively.

Note 15: Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis including financial markets, supply chains, businesses, and communities. Specific to the School, facilities were closed to non-essential personnel and classroom teaching was converted to a virtual environment. Onsite activities were postponed or cancelled. For the 2021-22 school year, the School is continuing with an in-person model.

Management believes the School is taking appropriate actions to mitigate the negative impact of COVID-19, however; the full impact of COVID-19 is unknown and cannot be reasonably estimated.

Supplementary Information

Milwaukee Science Educational Consortium, Inc.

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2021

Federal Grantor/State Grantor/Cluster Title	Identifying Number	Pass-Through Grantor	Pass-Through No.	Expenditures
FEDERAL EXPENDITURES:				
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Wisconsin Dept. of Public Instruction	408106	\$ 205,113
National School Lunch Program (cash assistance)	10.555	Wisconsin Dept. of Public Instruction	408106	334,930
National School Lunch Program (non-cash assistance - Commodities)	10.555	Wisconsin Dept. of Public Instruction	408106	(13,527)
Total Child Nutrition Cluster				526,516
ISchool Food Equipment Grant Public	10.579	Wisconsin Dept. of Public Instruction	408106	11,638
Fresh Fruit and Vegetable Program	10.582	Wisconsin Dept. of Public Instruction	408106	15,726
Total U.S. Department of Agriculture				553,880
U.S. Department of Education:				
Title I Grants to Local Education Agencies	84.010	Wisconsin Dept. of Public Instruction	408106	718,221
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	Wisconsin Dept. of Public Instruction	408106	272,736
Special Education Preschool Grants	84.173	Wisconsin Dept. of Public Instruction	408106	4,583
Total Special Education Cluster (IDEA)				277,319
Improving Teacher Quality State Grants	84.367	Wisconsin Dept. of Public Instruction	408106	84,489
Student Support and Academic Enrichment Grants	84.424	Wisconsin Dept. of Public Instruction	408106	48,445
COVID-19 Education Stabilization Funds	84.425	Wisconsin Dept. of Public Instruction	408106	634,404
Total U.S. Department of Education				1,762,878
TOTAL FEDERAL EXPENDITURES				\$ 2,316,758

Milwaukee Science Educational Consortium, Inc.

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/State Grantor/Cluster Title	Identifying Number	Pass-Through Grantor	Pass-Through No.	Expenditures
STATE EXPENDITURES:				
Wisconsin Department of Public Instruction:				
Special Education and School Age Parents	255.101	Direct	408106-100	\$ 82,283
State School Lunch Aid	255.102	Direct	408106-107	8,196
State Charter Schools Aid	255.109	Direct	408106-115	11,247,293
Educator Effective Evaluation System	255.940	Direct	408106-154	5,680
Assessments of Reading Readiness	255.956	Direct	408106-166	2,552
Aid for Special Education Transition Incentive	255.960	Direct	408106-168	4,000
Total Wisconsin Department of Public Instruction				11,350,004
TOTAL STATE EXPENDITURES				\$ 11,350,004

See independent auditor's report.

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

Milwaukee Science Education Consortium, Inc.

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2021

Note 1: General

The accompanying schedule of expenditures of federal and state awards (“schedule”) includes the federal and state grant activity of Milwaukee Science Educational Consortium, Inc. under programs of the federal and state governments for the year ended June 30, 2021. The information in his schedule is presented in accordance with requirements of the 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 of Wisconsin *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Milwaukee Science Educational Consortium, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Milwaukee Science Educational Consortium, Inc.

Note 2: Basis of Accounting

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 wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Sub-recipients

The School does not have sub-recipients of federal or state awards.

Note 4: Indirect Cost

The School 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*

Board of Directors
Milwaukee Science Education Consortium, Inc.
Milwaukee, WI

We have audited, in accordance with auditing standards generally accepted in the United States 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 Milwaukee Science Education Consortium, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, cash flows, and functional expenses, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Milwaukee Science Education Consortium, 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 the Milwaukee Science Education Consortium, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Milwaukee Science Education Consortium, 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 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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Milwaukee Science Education Consortium, 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*.

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 Milwaukee Science Education Consortium, Inc.'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 Milwaukee Science Education Consortium, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Milwaukee, Wisconsin

October 25, 2021

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Milwaukee Science Educational Consortium, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Milwaukee Science Educational Consortium, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of Milwaukee Science Educational Consortium, Inc.'s major federal and state programs for the year ended June 30, 2021. Milwaukee Science Educational Consortium, 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 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 Milwaukee Science Educational Consortium, 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; 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*, issued by the Wisconsin Department of Administration. Those standards and Uniform Guidance 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 Milwaukee Science Educational Consortium, 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 Milwaukee Science Educational Consortium, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, Milwaukee Science Education Consortium, 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of Milwaukee Science Educational Consortium, 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 Milwaukee Science Educational Consortium, Inc. Milwaukee Science Educational Consortium, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 Uniform Guidance and the State Single Audit 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 Milwaukee Science Educational Consortium, 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 a 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 *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Milwaukee, Wisconsin

October 25, 2021

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x no

Noncompliance material to financial statements noted? ___ yes x no

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x no

Type of auditor's report issued on compliance for major federal programs Unmodified

Type of auditor's report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? ___ yes x no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program - Child Nutrition Cluster
10.555	National School Lunch Program - Child Nutrition Cluster
84.425	COVID-19 Education Stabilization Funds

Identification of major state programs:

<u>Identifying Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education Aid
255.109	State Charter School Aid

Dollar threshold used to distinguish between Type A programs:

Federal	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee? No

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section V - Prior-Year Findings

Finding 2020-001: Material Adjustments

Condition

Wipfli LLP and management discussed and proposed a number of adjusting journal entries as a result of the year-end audit, which we deem to be material to the financial statements. The largest of these adjustments related to construction in progress during the year ended June 30, 2019. The lack of effective control over and accountability for funds, property, and other assets indicates a material weakness in internal controls.

Status

Finding not repeated in the current year. The School reconciled significant account balances regularly during the year and at year-end, for the year ended June 30, 2021.

Finding 2020-002: Disbursement Support

Condition

Wipfli noted that support for expenses and approvals were not maintained for six out of forty disbursements tested as part of a sample from general school expenses.

Status

Finding not repeated in the current year. The School reviewed policies and procedures around cash disbursements and implemented and monitored controls surrounding the disbursement process to ensure all expenses were properly approved and support for the expenses was maintained for the year ended June 30, 2021.

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section V - Prior-Year Findings (Continued)

Finding 2020-003: Disbursement Support

Federal Title: Child Nutrition Cluster

Federal Award Number: 10.553 and 10.555

State Title: General Transportation Aid

State Award Number: 255.107

Award Year: 7/1/2019 – 6/30/2020

Condition

Wipfli noted that support for expenses and approvals were not maintained for one out of fifteen disbursement tested on the Child Nutrition Cluster and expenses related to one out of forty disbursements tested on the General Transportation Aid program was outside of the grant period.

Status

Finding not repeated in the current year. The School reviewed policies and procedures around cash disbursements and implemented and monitored controls surrounding the disbursement process to ensure all expenses were properly approved and support for the expenses was maintained for the year ended June 30, 2021.

Finding 2020-004: Students Actually Riding the Bus

State Title: General Transportation Aid

State Award Number: 255.107

State Award Year: 7/1/2019 – 6/30/2020

State Agency: Department of Public Education

Condition

Wipfli reviewed 40 students listed as riding the bus to test that support was maintained which documents that the student actually rode the bus as part of testing regular transportation aid. Wipfli noted that support that the student actually rode the bus was not maintained for 6 students. Wipfli noted that bus routes included the addresses of all students listed as riding the bus but the School did not maintain support from the busing company that showed all students actually rode the bus. Wipfli noted that support which documents that summer school students actually rode the bus was not maintained.

Status

The School did not have any transportation services for the year ended June 30, 2021 due to COVID-19. Management has put in place a plan for future years of taking the attendance for students that actually rode the bus.

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section V - Prior-Year Findings (Continued)

Finding 2020-005: Tracking Expenses

State Title: Special Education Aid

State Award Number: 255.101

State Award Year: 7/1/2019 – 6/30/2020

State Agency: Department of Public Education

Condition

Wipfli noted that a detailed general ledger was not maintained for the special education fund grant which included a minimum level of coding under WUFAR with 6-digit functions, 3-digit objects, and 3 digit projects.

Status

Finding not repeated in the current year. The School maintained fiscal information in the prescribed format as required by DPI for the year ended June 30, 2021.

Section VI - Other Issues

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? _____ yes x no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Justice

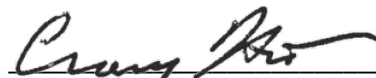
_____ yes x no

Department of Public Instruction

_____ yes x no

Was a management letter or other document conveying audit comments issued as a result of this audit? _____ yes x no

Name and Signature of Partner



Craig Hirt, CPA

Report Date

October 25, 2021