

HIGHLAND COMMUNITY SCHOOL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for the Year Ended June 30, 2023)

HIGHLAND COMMUNITY SCHOOL, INC.

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Independent Auditor's Report

Board of Directors
Highland Community School, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Highland Community School, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Highland Community School, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highland Community School, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Highland Community School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Ritz Holman LLP
Serving business, nonprofits, individuals and trusts.

330 E. Kilbourn Ave., Suite 550 t. 414.271.1451
Milwaukee, WI 53202 f. 414.271.7464
ritzholman.com

Board of Directors
Highland Community School, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Highland Community School, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Highland Community School, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Highland Community School, Inc.

Report on Summarized Comparative Information

We have previously audited Highland Community School, Inc.'s June 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating revenue without donor restrictions and expenses by program and schedule of MPS contract revenues and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. 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* (Uniform Guidance), is presented for purposes of additional analysis and is also 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 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 September 26, 2024, on our consideration of Highland Community School, 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 Highland Community School, 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 Highland Community School, Inc.'s internal control over financial reporting and compliance.


RITZ-HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
September 26, 2024

HIGHLAND COMMUNITY SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(With Summarized Totals for June 30, 2023)

ASSETS	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,312,529	\$ 1,113,466
Investments	2,210,796	2,035,819
Accounts and Grants Receivable	307,859	749,631
Prepaid Expenses	80,595	36,922
Total Current Assets	<u>\$ 4,911,779</u>	<u>\$ 3,935,838</u>
FIXED ASSETS		
Land	\$ 122,850	\$ 122,850
Buildings and Improvements	3,167,213	3,167,213
Equipment and Software	40,103	51,715
Total Fixed Assets	<u>\$ 3,330,166</u>	<u>\$ 3,341,778</u>
Less: Accumulated Depreciation	(476,042)	(399,679)
Net Fixed Assets	<u>\$ 2,854,124</u>	<u>\$ 2,942,099</u>
LEASES		
Right-of-Use Asset - Finance Lease	\$ 15,237	\$ 22,551
Total Leases	<u>\$ 15,237</u>	<u>\$ 22,551</u>
OTHER ASSETS		
Beneficial Interest - Greater Milwaukee Foundation	\$ 140,644	\$ 131,382
Total Other Assets	<u>\$ 140,644</u>	<u>\$ 131,382</u>
TOTAL ASSETS	<u><u>\$ 7,921,784</u></u>	<u><u>\$ 7,031,870</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 126,287	\$ 117,219
Accrued Payroll and Related Liabilities	352,345	224,832
Accrued Retirement Match	48,068	34,888
Accrued Paid Time Off	32,842	28,980
Deferred Revenue and Refundable Advances	1,940,023	1,524,794
Current Portion of Long-Term Liabilities	140,637	139,277
Total Current Liabilities	<u>\$ 2,640,202</u>	<u>\$ 2,069,990</u>
LONG-TERM LIABILITIES		
Mortgage Payable	\$ 2,121,075	\$ 2,253,144
Less: Current Portion of the Mortgage Payable	(132,779)	(132,069)
Finance Leases	17,172	24,380
Less: Current Portion of the Finance Lease	(7,858)	(7,208)
Total Long-Term Liabilities	<u>\$ 1,997,610</u>	<u>\$ 2,138,247</u>
Total Liabilities	<u>\$ 4,637,812</u>	<u>\$ 4,208,237</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	\$ 2,107,106	\$ 2,034,452
Board Designated	1,000,454	647,863
Total Without Donor Restrictions	<u>\$ 3,107,560</u>	<u>\$ 2,682,315</u>
With Donor Restrictions	176,412	141,318
Total Net Assets	<u>\$ 3,283,972</u>	<u>\$ 2,823,633</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,921,784</u></u>	<u><u>\$ 7,031,870</u></u>

The accompanying notes are an integral part of these financial statements.

HIGHLAND COMMUNITY SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
REVENUE				
Milwaukee Public Schools				
Charter Contract	\$ 4,770,315	\$ ---	\$ 4,770,315	\$ 3,886,001
Charter Change in Refundable Advance	(324,195)	---	(324,195)	(239,657)
Title I	253,656	---	253,656	202,798
Special Education	114,088	---	114,088	183,955
Common School Fund	21,077	---	21,077	13,067
ESSER	680,397	---	680,397	811,966
Grants	143,645	---	143,645	248,904
Corporate and Individual Contributions	41,679	9,815	51,494	49,763
Program Fee Income	954,651	---	954,651	818,021
Student Activity Revenue	114,616	---	114,616	132,879
Fundraising Revenue	57,604	22,533	80,137	49,091
Fundraising Expense	(21,199)	---	(21,199)	(42,122)
Donated Goods and Services	9,130	---	9,130	14,447
Other Revenue	1,330	---	1,330	645
Net Assets Released from Restrictions	12,161	(12,161)	---	---
Total Revenue	\$ 6,828,955	\$ 20,187	\$ 6,849,142	\$ 6,129,758
EXPENSES				
Program	\$ 5,916,012	\$ ---	\$ 5,916,012	\$ 5,329,379
Management	569,029	---	569,029	479,609
Fundraising	113,604	---	113,604	75,947
Total Expenses	\$ 6,598,645	\$ ---	\$ 6,598,645	\$ 5,884,935
CHANGE IN NET ASSETS FROM OPERATIONS				
	\$ 230,310	\$ 20,187	\$ 250,497	\$ 244,823
OTHER CHANGES				
Net Investment Return on Beneficial Interest	\$ ---	\$ 14,907	\$ 14,907	\$ 10,630
Investment Return	194,935	---	194,935	57,007
Total Other Changes	\$ 194,935	\$ 14,907	\$ 209,842	\$ 67,637
CHANGE IN NET ASSETS				
	\$ 425,245	\$ 35,094	\$ 460,339	\$ 312,460
Net Assets, Beginning of Year	2,682,315	141,318	2,823,633	2,511,173
NET ASSETS, END OF YEAR	\$ 3,107,560	\$ 176,412	\$ 3,283,972	\$ 2,823,633

The accompanying notes are an integral part of these financial statements.

HIGHLAND COMMUNITY SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for the Year Ended June 30, 2023)

EXPENSES	Program	Management	Fundraising	2024 Total	2023 Total
Salaries	\$ 3,042,565	\$ 363,355	\$ 54,427	\$ 3,460,347	\$ 3,086,437
Payroll Taxes	240,389	28,713	4,338	273,440	245,375
Employee Benefits	521,051	65,173	916	587,140	545,878
Retirement Expense	40,894	6,389	---	47,283	35,577
Professional Development and Licensing	67,302	6,035	125	73,462	78,852
MPS Administrative Fee	95,406	---	---	95,406	77,540
Special Education Services	525,066	---	---	525,066	396,014
Classroom, Library and Program Supplies	342,804	---	---	342,804	264,317
Field Trips and Educational Programming	214,334	---	---	214,334	163,773
Primary Fee Waivers and Bad Debts Expense	---	16,368	---	16,368	18,884
Professional Fees	4,231	34,195	48,054	86,480	41,698
Information Technology - Contractors	90,951	10,862	1,627	103,440	103,440
Information Technology - Software, Hardware	25,515	3,047	456	29,018	17,544
Meal Program	7,414	---	---	7,414	11,867
Printing Services and Internal Printing and Copying	25,587	3,056	458	29,101	27,659
Office Supplies	4,711	315	22	5,048	3,232
Postage and Shipping	10,769	35	68	10,872	9,611
Memberships and Subscriptions	831	129	---	960	1,930
Board Expenses	4,715	---	---	4,715	---
Family and Community Involvement	14,102	---	8	14,110	19,579
Telephone	13,839	1,653	248	15,740	19,383
Bank Charges	21,771	352	1,351	23,474	18,641
Utilities	105,236	18,792	1,253	125,281	133,021
Building Maintenance, Janitorial and Landscape	241,768	3,682	---	245,450	248,431
Security	4,304	79	---	4,383	44,804
Natural Grounds	9,789	---	---	9,789	20,021
Business Insurance	34,818	1,085	253	36,156	33,890
Interest Expense	114,182	2,093	---	116,275	126,482
Depreciation	91,668	3,621	---	95,289	91,055
SUBTOTAL	\$ 5,916,012	\$ 569,029	\$ 113,604	\$ 6,598,645	\$ 5,884,935
FUNDRAISING EXPENSE					
Food	\$ ---	\$ ---	\$ 12,017	\$ 12,017	\$ 13,312
Supplies	---	---	6,998	6,998	26,948
Insurance and Permits	---	---	399	399	420
Credit Card and Other Fees	---	---	835	835	1,442
Other Expenses	---	---	950	950	---
TOTAL FUNDRAISING EXPENSE	\$ ---	\$ ---	\$ 21,199	\$ 21,199	\$ 42,122
TOTAL EXPENSES	\$ 5,916,012	\$ 569,029	\$ 134,803	\$ 6,619,844	\$ 5,927,057

The accompanying notes are an integral part of these financial statements.

HIGHLAND COMMUNITY SCHOOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for the Year Ended June 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 460,339	\$ 312,460
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	95,289	91,055
(Gain) Loss on Investments	(131,649)	6,684
(Earnings) Losses on Beneficial Interest	(14,907)	(10,630)
(Increase) Decrease in Accounts and Grants Receivable	441,772	(299,141)
(Increase) Decrease in Prepaid Expenses	(43,673)	7,357
(Increase) Decrease in Pledges Receivable	---	1,969
Increase (Decrease) in Accounts Payable	9,068	57,582
Increase (Decrease) in Accrued Payroll and Related Liabilities	127,513	13,084
Increase (Decrease) in Accrued Retirement Match	13,180	1,486
Increase (Decrease) in Accrued Paid Time Off	3,862	(2,493)
Increase (Decrease) in Deferred Revenue and Refundable Advance	415,229	247,179
	\$ 1,376,023	\$ 426,592
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (3,074,485)	\$ (3,009,957)
Proceeds from Investment Sales	3,031,157	2,655,117
Purchase of Fixed Assets	---	(50,131)
Distributions from Greater Milwaukee Foundation	5,645	4,795
	\$ (37,683)	\$ (400,176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Mortgage Principal	\$ (132,069)	\$ (244,856)
Payments on Finance Lease	(7,208)	(6,611)
	\$ (139,277)	\$ (251,467)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,199,063	\$ (225,051)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,113,466	1,338,517
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,312,529	\$ 1,113,466
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 116,275	\$ 112,542
Fixed Assets Obtained through Finance Lease	---	36,570

The accompanying notes are an integral part of these financial statements.

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - Organization and Summary of Significant Accounting Policies

Organization

Highland Community School, Inc. (the "Organization") offers quality Montessori education in a nurturing environment that enriches, empowers and inspires children to reach their potential and encourages parents to become responsible for and involved with their children's education.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less at purchase.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes assets with a value of \$5,000 and greater.

Accrued Paid Time Off

Accrued paid time off is stated at an estimate of future payments for paid time off that employees have earned and not yet used as of year-end. Amounts carried over are limited for Family and Medical Leave Act qualifying events, thus, management does not expect all available paid time off to be used and the accrual is based on expected payouts.

Contributions and Grant Revenue

Contributions received and unconditional promises to give that have been received by the Organization are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year 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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - Organization and Summary of Significant Accounting Policies (continued)

Contributions and Grant Revenue (continued)

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

Functional Expenses

The Organization allocates costs directly to program, management, or fundraising whenever possible. Certain expenses are attributable to one or more programs or supporting functions of the Organization. Those expenses include salaries, depreciation, and facilities overhead. Salaries and related personnel costs are allocated based on estimated time and effort, and facility costs are allocated based on square footage.

Leases

The Organization recognizes operating and finance leases in accordance with the *FASB Accounting Standards Codification (ASC) 842*. A lease exists when an organization has the right to control the use of property, plant or equipment over a lease term. The lessee classifies a lease as either a finance or operating lease. The accounting of a finance lease is similar to when an asset is purchased. An operating lease is when the right-of-use of an asset exists over the lease-term, but the lease doesn't meet the definition of a finance lease. The Organization has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Organization recognizes individual lease assets and liabilities when they are greater than \$5,000. The Organization has elected not to apply the recognition requirements in ASC 842 to short-term leases (those with a term of 12 or less months) and no expected purchase at the end of the term.

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - Organization and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - Accounting Change

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) is effective for fiscal years beginning after December 15, 2022. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives. The implementation of this standard did not have a material impact on the financial statements of the Organization.

NOTE C - Comparative Financial Information

The financial information shown for June 30, 2023, in the accompanying financial statements is included to provide a basis for comparison with 2024. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE D - Concentration of Risk

Concentration of Credit Risk

Financial Instruments that are exposed to concentrations of credit risk consist of cash, receivables, and investments. The School maintains its cash balances at two financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2024, the School's uninsured cash balances total \$771,333. Financial instruments held at the brokerage firm of \$3,450,078 include coverage through the Securities Investor Protection Corporation (SIPC) including cash protection of \$250,000 and securities up to \$500,000 if those firms fail financially. It does not include any protection against market volatility or for certain investments that may be ineligible for coverage. Accounts and grants receivable are from various individuals and grants funding through the U.S. Department of Education and passed through the Wisconsin Department of Public Instruction and Milwaukee Public Schools District. Receivables are recorded at net realizable value.

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE D - Concentration of Risk (continued)

Concentration of Revenue

The Organization received aggregate revenue through Milwaukee Public Schools of \$5,531,725 during the year ended June 30, 2024. The funding accounted for 81% of the Organization's revenue for the year ended June 30, 2024, constituting a concentration of revenue from one source.

NOTE E - Liquidity

The operations of the Organization are primarily funded through a non-instrumentality charter school contract with Milwaukee Public Schools and program fees from before and after school and summer programs. Financial assets are assets expected to be available within one year from the financial position date to meet the cash needs of the Organization for general expenditures and to pay obligations as they become due. Assets subject to donor or other contractual restrictions are excluded from financial assets as they are not considered to be available for general use. Board-designated reserves are excluded from financial assets because the Board of Directors has set aside such funds on a long-term basis. In addition, the Organization has a line of credit with \$100,000 available as needed.

Financial assets available for use consist of the following as of June 30, 2023:

<u>Description</u>	<u>Amount</u>
Cash and Cash Equivalents	\$2,312,529
Investments	2,210,796
Accounts and Grants Receivable	307,859
Less: Deferred Revenue and Refundable Advances	
Required to be Used in Certain Programs	(1,940,023)
Less: Donor or Contractual Restrictions	(35,768)
Less: Board Designated Long-Term Reserves	<u>(1,000,454)</u>
Total Financial Assets Available for General Use	<u>\$ 1,854,939</u>

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE F - Accounts and Grants Receivable

Accounts and grants receivable consist of the following as of June 30, 2024:

<u>Source</u>	<u>Amount</u>
Milwaukee Public Schools	
ESSER	\$ 82,073
Special Education	111,270
Title I	36,315
Common School Funds	21,077
School Based Mental Health Grant	8,568
Get Kids Ahead Grant	5,895
Childcare Program Fees	41,176
Wisconsin Department of Children and Families	5,576
Other Receivables	<u>850</u>
 Gross Accounts and Grants Receivable	 \$312,800
Less: Allowance for Uncollectible	<u>(4,941)</u>
 Accounts and Grants Receivable	 <u>\$307,859</u>

The Organization's funding for the Special Ed and School Age Parents categorical aid program based on its share of the state's biennial budget appropriations. Costs have exceeded the state's available funding previously and approximately 25% - 33% of eligible expenses may be reimbursed. Highland Community School, Inc. has estimated the reimbursement rate at 20% and included this in the receivable balance as of June 30, 2024. Any additional reimbursement will be recorded when the actual reimbursement is determined based on the state's available funding.

NOTE G - Beneficial Interest

The Organization has a fund held at the Greater Milwaukee Foundation, a community foundation, for investment purposes. The Greater Milwaukee Foundation makes investment decisions and determines the amount of income to be transmitted annually to the Organization. The size of distributions from the fund is determined in accordance with the Greater Milwaukee Foundation's distribution policy. The value of the fund includes contributions and investment income less distributions. The beneficial interest in the Greater Milwaukee Foundation is considered to be with donor restrictions because the Greater Milwaukee Foundation holds ultimate variance power over the fund. The financial statements include \$140,644 of net assets with donor restrictions as of June 30, 2024, for the fair value of the Greater Milwaukee Foundation beneficial interest. Net investment return for the year ended June 30, 2024, was a gain, net of fees, of \$14,907 on funds held at the Greater Milwaukee Foundation.

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE H - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024:

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$1,372,270	\$ 1,372,270	\$ ---	\$ ---
Fixed Income	838,526	838,526	---	---
Greater Milwaukee Foundation	<u>140,644</u>	---	---	<u>140,644</u>
Total	<u>\$2,351,440</u>	<u>\$2,210,796</u>	<u>\$ ---</u>	<u>\$140,644</u>

Greater Milwaukee Foundation investments include equities securities, fixed income securities, absolute return hedge funds, and long/short equity hedge funds. The funds are held by the Greater Milwaukee Foundation.

Fair Value Measurements Using Significant
Unobservable Inputs (Level 3)

	<u>Greater Milwaukee Foundation Investment</u>
Beginning Balance, July 1, 2023	\$131,382
Net Investment Return	16,210
Grants Paid to Highland Community School	(5,645)
Fees	<u>(1,303)</u>
Ending Balance, June 30, 2024	<u>\$140,644</u>

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE I - Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances include funds received that exceed costs incurred for charter school and special education services, childcare and summer program deposits, MMUN deposits and adolescent trip deposits received for services for future periods.

Deferred revenue and refundable advances consist of the following as of June 30, 2024:

<u>Program</u>	<u>Amount</u>
Milwaukee Public Schools Charter School Contract	\$1,709,417
DCF Quality Care and Workforce Program Fees	6,342 <u>224,264</u>
Total	<u>\$1,940,023</u>

NOTE J - Line of Credit

The Organization has available a \$100,000 line of credit. The lender has the right to cancel the line of credit as it relates to future advances at any time and to demand payment upon ninety days of notice. The line of credit bears interest at the Wall Street Journal Prime rate plus .75% with a minimum of 3%. At June 30, 2024, the rate was 9.25%. The line of credit is secured by all equipment. At June 30, 2024, the line of credit was not in use.

NOTE K - Mortgage Payable

The Organization received a construction loan for its property at 1706 W. Highland Avenue in the year ended June 30, 2021. The loan was used to refinance the prior mortgage and for building expansion and improvements. The loan required interest only payments through August 2022. On September 1, 2022, monthly payments of \$20,081 began which include both interest and principal. The interest rate is 5.25% through July 2027. For two subsequent 5-year periods beginning August 1, 2027, and August 1, 2032, a recalculated interest rate will be determined based on the greater of the U.S. Treasury plus 2% or 5.250%. Each of these two 5-year periods will have new payments calculated based on the recalculated interest rates. The maturity date of the loan is August 1, 2037.

Future minimum principal payments on the mortgage are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 132,779
2026	139,920
2027	147,445
2028	155,375
2029	163,731
Thereafter	<u>1,381,825</u>
Total	<u>\$2,121,075</u>

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE L - Leasing Activities

The Organization has Finance leases for four copiers with a lease term from July 2021 until June 2027. The assets had a fair market value of \$36,570 at lease inception are being depreciated over the lease terms. Accumulated depreciation on the right-of-use finance lease was \$21,333 for the year ended June 30, 2024.

Lease Term and Discount Rate

The weighted average discount rate for finance leases is: 8.67%
The weighted average remaining lease term in years for finance leases is: 2.08 years

Lease Cost and Cash Flow Information

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2024:

	<u>Amount</u>
Finance Lease Costs:	
Amortization of Lease Asset	\$7,315
Interest on Lease Liabilities	\$1,831

The following summarizes cash flow information related to leases for the year ended June 30, 2024:

	<u>Amount</u>
Operating Cash Flows from Finance Leases	\$1,831
Financing Cash Flows from Finance Leases	\$7,208

Maturities of Leases

The maturities of lease liabilities as of June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Finance</u>
2025	\$ 9,039
2026	9,039
2027	<u>753</u>
Total Lease Payments	\$18,831
Less: Present Value Discount	<u>(1,659)</u>
Present Value of Lease Liabilities	<u>\$17,172</u>

**HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE M - Net Assets

Board designated net assets consist of the following as of June 30, 2024:

Building Reserve Fund	<u>\$1,000,454</u>
Total	<u>\$1,000,454</u>

Net assets with donor restrictions consist of the following as of June 30, 2024:

Greater Milwaukee Foundation	
Beneficial Interest	\$140,644
Adolescent Trip	22,993
Highland Family Fund	9,182
Other Purpose Restrictions	<u>3,593</u>
Total	<u>\$176,412</u>

NOTE N - School Contract

The Organization has a non-instrumentality charter school contract with Milwaukee Public Schools extending through June 30, 2025.

NOTE O - Revenue from Contracts with Customers

Program Fee Income

The Organization receives program fee income for its toddler, before and after-school, C.H.E.C.K. and summer programs. Program fee income is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. The Organization bills families weekly for services. Revenue is recognized as the performance obligations are satisfied. Performance obligations are considered to be satisfied during the period of time services are performed and are recognized based on the days of service.

Beginning Deferred Revenue	\$ 133,629
Cash Collected	542,087
Program Fee Revenue Recognized	<u>(451,452)</u>
Ending Deferred Program Fees	<u>\$ 224,264</u>

NOTE P - Donated Goods and Services

The Organization received donated program supplies during the year which are recorded at their estimated value in the financial statements as revenue and expenses. The estimated value is determined using the price to purchase similar goods and services. The donated goods are valued at \$9,130 and were used in the Organization's Montessori school program and fundraisers.

The Organization also is the recipient of volunteer services that are excluded from the financial statements. Those services include the time spent by board of directors and parent board for fundraising and classroom volunteer support.

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE Q - Retirement Plan

The Organization started matching contributions to employee retirement plans through a 401(k) defined contribution plan effective July 1, 2017. To be eligible, employees must be 18 years old and complete 160 hours of service in a two-month period. In addition, employees shall be employed on the last day of the plan year to receive the employer provided match which is paid out after the plan year. The Organization matches up to 3% of an employee's salary. Contributions accrued for the plan year ended June 30, 2024, were \$48,068, and retirement expense was \$47,283 for the year then ended.

NOTE R - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2024, 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.

NOTE S - Subsequent Events

The Organization has evaluated events and transactions occurring after June 30, 2024, through September 26, 2024, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures. The Organization has determined that no subsequent event need to be disclosed.

HIGHLAND COMMUNITY SCHOOL, INC.
SCHEDULE OF OPERATING REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for the Year Ended June 30, 2023)

	Charter School Program	Toddler	After School	C.H.E.C.K. Program	Before School	Summer School	General	2024 Total	2023 Total
REVENUE									
Milwaukee Public Schools									
Charter Contract	\$ 4,770,315	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 4,770,315	\$ 3,886,001
Charter Change in Refundable Advance	(324,195)	---	---	---	---	---	---	(324,195)	(239,657)
Title I	253,656	---	---	---	---	---	---	253,656	202,798
Special Education	114,088	---	---	---	---	---	---	114,088	183,955
Common School Fund	21,077	---	---	---	---	---	---	21,077	13,067
ESSER	680,397	---	---	---	---	---	---	680,397	811,966
Grants	31,450	25,614	47,822	15,873	3,738	19,148	---	143,645	248,904
Corporation and Individual Contributions	2,608	---	---	---	---	---	39,531	42,139	39,828
Program Fee Income	---	337,160	322,339	116,440	51,042	127,670	---	954,651	818,021
Student Activity Revenue	93,076	---	---	---	---	---	21,540	114,616	132,879
Fundraising Income	28,954	---	---	---	---	---	28,190	57,144	49,091
Fundraising Expenses	---	---	---	---	---	---	(21,199)	(21,199)	(42,122)
Donated Goods and Services	8,977	40	---	---	---	4	109	9,130	14,447
Other Revenue	---	---	---	500	---	---	830	1,330	645
Net Assets Released from Restrictions	450	---	---	---	---	---	11,711	12,161	174,732
Total Revenue	\$ 5,680,853	\$ 362,814	\$ 370,161	\$ 132,813	\$ 54,780	\$ 146,822	\$ 80,712	\$ 6,828,955	\$ 6,294,555
EXPENSES									
Salaries	\$ 2,842,190	\$ 209,254	\$ 115,629	\$ 81,309	\$ 15,133	\$ 85,524	\$ 111,308	\$ 3,460,347	\$ 3,086,437
Payroll Taxes	215,835	16,289	8,926	6,346	1,159	6,425	18,460	273,440	245,375
Employee Benefits	493,570	31,392	17,039	10,720	3,392	14,448	16,579	587,140	545,878
Retirement Expense	40,065	791	---	38	---	---	6,389	47,283	35,577
Professional Development and Licensing	69,887	509	622	911	49	39	1,445	73,462	78,852
MPS Administrative Fee	95,406	---	---	---	---	---	---	95,406	77,540
Special Education Services	525,066	---	---	---	---	---	---	525,066	396,014
Classroom, Library and Program Supplies	310,078	7,404	13,231	5,665	---	5,822	604	342,804	264,317
Field Trips and Educational Programming	206,668	---	2,613	---	---	5,053	---	214,334	163,773
Primary Fee Waivers and Bad Debts Expense	2,803	926	4,426	1,629	291	1,978	4,315	16,368	18,884
Professional Fees	15,293	149	---	---	---	---	71,038	86,480	41,698
Information Technology - Contractors	95,040	---	---	---	---	---	8,400	103,440	103,440
Information Technology - Software, Hardware	2,354	223	457	223	223	---	25,538	29,018	17,544
Meal Program	427	3,748	1,152	---	---	2,087	---	7,414	11,867
Printing Services and Internal Printing and Copying	28,057	---	---	---	---	105	939	29,101	27,659
Office Supplies	4,711	---	---	---	---	---	337	5,048	3,232
Postage and Shipping	9,502	190	650	239	---	---	291	10,872	9,611
Memberships and Subscriptions	715	58	58	---	---	---	129	960	1,930
Board Expenses	4,682	---	---	---	---	---	33	4,715	---
Family and Community Involvement	8,339	---	---	---	---	---	5,771	14,110	19,579
Telephone	8,587	---	---	---	---	---	7,153	15,740	19,383
Bank Charges	745	6,690	7,596	2,744	1,040	2,681	1,978	23,474	18,641
Utilities	---	---	---	---	---	---	125,281	125,281	133,021
Building Maintenance, Janitorial and Landscape	95,173	---	---	---	---	---	150,277	245,450	248,431
Security	---	206	---	---	---	---	4,177	4,383	44,804
Natural Grounds	8,311	---	---	---	---	---	1,478	9,789	20,021
Business Insurance	50	---	---	---	---	---	36,106	36,156	33,890
Interest Expense	1,422	---	---	---	---	---	114,853	116,275	126,482
Depreciation	50,605	1,933	---	---	---	---	42,751	95,289	91,055
Allocated Expenses	545,272	31,676	19,403	13,930	3,645	13,418	(627,344)	---	---
Total Expenses	\$ 5,680,853	\$ 311,438	\$ 191,802	\$ 123,754	\$ 24,932	\$ 137,580	\$ 128,286	\$ 6,598,645	\$ 5,884,935
CHANGE IN NET ASSETS	\$ ---	\$ 51,376	\$ 178,359	\$ 9,059	\$ 29,848	\$ 9,242	\$ (47,574)	\$ 230,310	\$ 409,620
Fixed Asset Additions								\$ ---	\$ 50,131

HIGHLAND COMMUNITY SCHOOL, INC.
SCHEDULE OF MPS CONTRACT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
MPS Non-Instrumentality Charter School	\$ 4,770,315	\$ 4,770,315	\$ ---
Total Revenues	<u>\$ 4,770,315</u>	<u>\$ 4,770,315</u>	<u>\$ ---</u>
<u>Expenditures - Instructional and Instructional Support</u>			
Salaries	\$ 1,956,509	\$ 2,023,379	\$ 66,870
Benefits	515,366	613,064	97,698
Purchased Services	561,101	399,760	(161,341)
Materials and Equipment	57,600	46,122	(11,478)
Total Expenditures - Instructional and Instructional Support	<u>\$ 3,090,576</u>	<u>\$ 3,082,325</u>	<u>\$ (8,251)</u>
<u>Expenditures - Non-Instructional Support</u>			
Salaries	\$ 507,448	\$ 426,284	\$ (81,164)
Benefits	79,660	152,554	72,894
Purchased Services	432,497	434,054	1,557
Non-Instructional Materials and Equipment	627,334	319,552	(307,782)
Insurance	32,800	31,351	(1,449)
Total Expenditures - Non-Instructional Support	<u>\$ 1,679,739</u>	<u>\$ 1,363,795</u>	<u>\$ (315,944)</u>
Total Expenditures	<u>\$ 4,770,315</u>	<u>\$ 4,446,120</u>	<u>\$ (324,195)</u>
Revenues in Excess of Expenditures and Increase to Refundable Advances	<u>\$ ---</u>	<u>\$ 324,195</u>	<u>\$ 324,195</u>

HIGHLAND COMMUNITY SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	ALN or Program Identification Number	Accrued (Deferred) Revenue 6/30/2023	Cash Received	Expenditures	Accrued (Deferred) Revenue 6/30/2024
FEDERAL EXPENDITURES					
United States Department of the Treasury					
Milwaukee Public Schools					
Coronavirus State and Local Fiscal Recovery Fund	21.027 - COVID	\$ 3,971	\$ 5,895	\$ 7,819	\$ 5,895
Total ALN #21.027		<u>\$ 3,971</u>	<u>\$ 5,895</u>	<u>\$ 7,819</u>	<u>\$ 5,895</u>
United States Department of Education					
Milwaukee Public Schools					
Title I Grants to Local Educational Agencies	84.010	\$ 15,163	\$ 232,504	\$ 253,656	\$ 36,315
Total ALN #84.010		<u>\$ 15,163</u>	<u>\$ 232,504</u>	<u>\$ 253,656</u>	<u>\$ 36,315</u>
School Based Mental Health Grants		\$ ---	\$ ---	\$ 8,568	\$ 8,568
Total ALN #84.184	84.184H	<u>---</u>	<u>---</u>	<u>8,568</u>	<u>8,568</u>
Elementary and Secondary School Emergency Relief Fund - II	84.425D - COVID	\$ 1,388	\$ 1,388	\$ ---	\$ ---
Elementary and Secondary School Emergency Relief Fund - III	84.425D - COVID	500,891	1,099,215	680,397	82,073
Total ALN #84.425		<u>\$ 502,279</u>	<u>\$ 1,100,603</u>	<u>\$ 680,397</u>	<u>\$ 82,073</u>
Total U.S. Department of Education		<u>\$ 517,442</u>	<u>\$ 1,333,107</u>	<u>\$ 942,621</u>	<u>\$ 126,956</u>
TOTAL FEDERAL EXPENDITURES		<u><u>\$ 521,413</u></u>	<u><u>\$ 1,339,002</u></u>	<u><u>\$ 950,440</u></u>	<u><u>\$ 132,851</u></u>
STATE EXPENDITURES					
Wisconsin Department of Public Instruction					
Milwaukee Public Schools					
Special Education and School Age Parents	255.101	\$ 163,826	\$ 166,644	\$ 114,088	\$ 111,270
Milwaukee Public Schools					
Common School Fund Aid	255.103	---	---	21,077	21,077
Total Wisconsin Department of Public Instruction		<u>\$ 163,826</u>	<u>\$ 166,644</u>	<u>\$ 135,165</u>	<u>\$ 132,347</u>
TOTAL STATE EXPENDITURES		<u><u>\$ 163,826</u></u>	<u><u>\$ 166,644</u></u>	<u><u>\$ 135,165</u></u>	<u><u>\$ 132,347</u></u>

The accompanying notes are an integral part of this schedule.

HIGHLAND COMMUNITY SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2024

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Highland Community School, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are presented where available.

The Organization has not elected to use the 10% de minimis cost rate. All indirect costs are allocated to programs based on an allowable indirect cost allocation.

NOTE 2 - Special Education and School Age Parents Aid (State ID: 255.101) - Allowable Costs

Revenue is accrued in the year in which the Organization incurs the costs for Special Education services provided. The Organization has eligible expenditures of \$795,382 for the year ended June 30, 2024.

Local Costs Eligible for Categorical Aid (Project 011) allowable for the year ended June 30, 2024, are reimbursed at approximately 32.4%. Wisconsin Department of Public Instruction reimburses schools in the year subsequent to the year costs are incurred, as long as the school has not ceased operations. Management has accrued revenue with an estimate of a 20% reimbursement to reserve for any possible reductions to the actual final reimbursement rate.

Independent Auditor's Report
on the Schedule of MPS Non-Instrumentality Charter School Revenues and Expenditures

We have audited the accompanying schedule of charter school revenues and expenditures (as defined in the contract date May 28, 2020, between MPS and Highland Community School, Inc. for the year ended June 30, 2024). This schedule is the responsibility of Highland Community School, Inc.'s management. Our responsibility is to (1) express an opinion on this schedule based on our audit and (2) express an opinion on Highland Community School, Inc.'s compliance with the contract requirement that Highland Community School, Inc. expend MPS charter school contract revenues consistent with the provisions of the contract and the 2023-2024 charter school operating budget approved by MPS Contracted Schools Services.

We conducted the audit in accordance with generally accepted auditing standards 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 audit to obtain reasonable assurance about whether the schedule of charter school revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of charter school revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by the management of Highland Community School, Inc. as well as the management of MPS. We believe that our audit provides a reasonable basis for our opinion.

Government Auditing Standards also require that we consider internal controls over financial reporting and compliance with requirements of laws, regulations, contracts, and grants. The management of Highland Community School, Inc. is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered Highland Community School, Inc.'s internal control over compliance with requirements that could have a direct and material effect on the financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the schedule of charter school revenues and expenditures. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control over financial reporting and its operation that we consider to be material weaknesses.

In our opinion, (1) the schedule of charter school revenues and expenditures referred to above presents fairly, in all material respects, the expenditure and revenue activities of Highland Community School, Inc. for the year ended June 30, 2024, as defined in the contract referred to in the first paragraph and (2) the expenditures reported for the year ended June 30, 2024, comply with the expenditure and annual operating budget requirements as defined in the contract referred to in the first paragraph.


RITZ-HOLMAN LLP
Certified Public Accountants

September 26, 2024

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
Highland Community School, 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 Highland Community School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements 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 September 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highland Community School, 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 Highland Community School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Highland Community School, 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 Organization'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highland Community School, 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 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.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
September 26, 2024

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

To the Board of Directors of
Highland Community School, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highland Community School, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Highland Community School, Inc.'s major federal programs for the year ended June 30, 2024. Highland Community School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Highland Community School, 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 programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Highland Community School, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Highland Community School, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Highland Community School, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Highland Community School, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Highland Community School, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Highland Community School, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Highland Community School, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Highland Community School, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 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.

To the Board of Directors of
Highland Community School, Inc.
Page Three

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
September 26, 2024

**HIGHLAND COMMUNITY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? None Reported
- Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? None Reported
- Significant deficiencies identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? No

Identification of major programs:

U.S. Department of Education
ALN #84.425D Elementary Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**HIGHLAND COMMUNITY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.