

**M.C. PREPARATORY SCHOOL
OF WISCONSIN, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2024 AND 2023**

M.C. Preparatory School of Wisconsin, Inc.
Table of Contents

Years Ended June 30, 2024 and 2023

	<u>Page(s)</u>
Independent Auditor’s Report.....	1-3
Statements of Financial Position.....	4-5
Statements of Activities	6-7
Statements of Functional Expenses.....	8-9
Statements of Cash Flows	10
Notes to Financial Statements.....	11-23
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards	25
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 <i>Government Auditing Standards</i>	26-27
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	28-30
Summary Schedule of Prior Audit Findings	31
Schedule of Findings and Questioned Costs.....	32-33
Corrective Action Plan.....	34-35
Independent Auditor’s Report on the Schedules of Charter School Revenues and Expenditures	36-37
Schedules of Contract Revenues and Expenditures	38-41



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
M.C. Preparatory School of Wisconsin, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of M.C. Preparatory School of Wisconsin, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 M.C. Preparatory School of Wisconsin, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 M.C. Preparatory School of Wisconsin, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 M.C. Preparatory School of Wisconsin, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 36 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal 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*, 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2025, on our consideration of M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Walkowicz Boyce & Co. S.C." followed by a period.

Waukesha, Wisconsin
April 10, 2025

M.C. Preparatory School of Wisconsin, Inc.
Statements of Financial Position
June 30, 2024 and 2023

Assets		2024	2023
		<u> </u>	<u> </u>
Current Assets			
Cash and cash equivalents		\$ 4,807,893	\$ 713,539
Grants receivable		7,734,155	4,585,404
Accounts receivable, net		82,764	218,049
Other receivables		1,645	-
Unconditional promises to give:			
Without donor restrictions		7,000	7,000
Restricted for alumni program		100,000	100,000
		<u>107,000</u>	<u>107,000</u>
Prepaid expenses		<u>192,605</u>	<u>27,758</u>
Total Current Assets		12,926,062	5,651,750
Property and Equipment, Net		21,113,913	21,275,171
Other Assets			
Investments		2,116,427	3,658,725
Right-of-use assets - finance leases, net		<u>29,097</u>	<u>41,329</u>
Total Other Assets		<u>2,145,524</u>	<u>3,700,054</u>
Total Assets		<u><u>\$ 36,185,499</u></u>	<u><u>\$ 30,626,975</u></u>

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statements of Financial Position
June 30, 2024 and 2023

Liabilities and Net Assets

	2024	2023
Current Liabilities		
Accounts payable	\$ 262,739	\$ 508,385
Accrued wages and benefits	1,820,908	1,684,829
Due to Milwaukee Public Schools	505,820	-
Line of credit	1,500,000	500,000
Below-market lease	-	75,630
Current portion of lease liabilities - finance leases	10,038	10,003
Total Current Liabilities	4,099,505	2,778,847
 Long-Term Debt		
Security deposit	50,000	50,000
Lease liabilities - finance leases, less current portion	22,595	32,633
Total Long-Term Debt	72,595	82,633
Total Liabilities	4,172,100	2,861,480
 Net Assets		
Without donor restrictions		
Undesignated	31,085,137	26,717,967
Board designated	60,695	60,695
	31,145,832	26,778,662
With donor restrictions	867,567	986,833
Total Net Assets	32,013,399	27,765,495
Total Liabilities and Net Assets	\$ 36,185,499	\$ 30,626,975

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grants and contracts			
MPS charter school	\$ 21,173,823	\$ -	\$ 21,173,823
Special education grant	581,399	-	581,399
Government grants	11,860,850	-	11,860,850
Other contributions	1,726,149	100,000	1,826,149
Program service fees	219,001	-	219,001
Other income	107,492	-	107,492
Rental income	198,331	-	198,331
Investment income, net	500,619	117,994	618,613
Net assets released from restrictions	337,260	(337,260)	-
Total Support and Revenues	36,704,924	(119,266)	36,585,658
Expenses			
Program services	29,475,187	-	29,475,187
Management and general	2,588,926	-	2,588,926
Fundraising	273,641	-	273,641
Total Expenses	32,337,754	-	32,337,754
Change in Net Assets	4,367,170	(119,266)	4,247,904
Net Assets at Beginning of Year	26,778,662	986,833	27,765,495
Net Assets at End of Year	\$ 31,145,832	\$ 867,567	\$ 32,013,399

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grants and contracts			
MPS charter school	\$ 17,405,203	\$ -	\$ 17,405,203
Special education grant	861,097	-	861,097
Government grants	8,658,078	-	8,658,078
Other contributions	1,720,459	823,260	2,543,719
Program service fees	282,359	-	282,359
Other income	133,075	-	133,075
Rental income	235,090	-	235,090
Investment income, net	623,360	44,442	667,802
Net assets released from restrictions	52,500	(52,500)	-
Total Support and Revenues	29,971,221	815,202	30,786,423
Expenses			
Program services	28,942,779	-	28,942,779
Management and general	2,464,684	-	2,464,684
Fundraising	200,281	-	200,281
Total Expenses	31,607,744	-	31,607,744
Change in Net Assets	(1,636,523)	815,202	(821,321)
Net Assets at Beginning of Year	28,415,185	171,631	28,586,816
Net Assets at End of Year	\$ 26,778,662	\$ 986,833	\$ 27,765,495

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	<u>Supporting Services</u>				Total 6/30/24
	Program	Management and General	Fund- raising	Total	
Athletics	\$ 47,583	\$ -	\$ -	\$ -	\$ 47,583
Bad debt loss	66,083	-	-	-	66,083
Contracted services	202,760	-	-	-	202,760
Depreciation and amortization	832,135	80,061	5,546	85,607	917,742
Developmental activities	-	-	102,103	102,103	102,103
Educational media and supplies	389,808	-	-	-	389,808
Extended day activities	8,166	-	-	-	8,166
Field trips and special events	319,115	72,633	-	72,633	391,748
Food	986,486	-	-	-	986,486
Insurance	233,800	25,978	-	25,978	259,778
Interest	96,359	11,086	-	11,086	107,445
Library	56,929	-	-	-	56,929
License and fees	232,017	-	-	-	232,017
Miscellaneous	35,778	26,914	3,675	30,589	66,367
Occupancy	595,999	47,753	3,308	51,061	647,060
Office supplies	73,533	73,533	16,340	89,873	163,406
Parent services	100,746	-	-	-	100,746
Professional fees	205,450	6,016	-	6,016	211,466
Repairs and maintenance	995,786	95,806	6,637	102,443	1,098,229
Salaries, payroll taxes & employee benefits	22,757,830	2,117,248	134,652	2,251,900	25,009,730
Scholar incentives	21,369	-	-	-	21,369
Scholarship awards	14,000	-	-	-	14,000
Security	245,670	-	-	-	245,670
Special education	133,241	-	-	-	133,241
Technology	133,167	-	-	-	133,167
Telephone	107,845	11,983	-	11,983	119,828
Training and seminars	450,861	19,915	1,380	21,295	472,156
Uniforms	132,671	-	-	-	132,671
Total Expenses	\$ 29,475,187	\$ 2,588,926	\$ 273,641	\$ 2,862,567	\$ 32,337,754

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	<u>Supporting Services</u>				Total 6/30/23
	Program	Management and General	Fund- raising	Total	
Athletics	\$ 36,974	\$ -	\$ -	\$ -	\$ 36,974
Bad debt loss	37,640	-	-	-	37,640
Contracted services	231,441	-	-	-	231,441
Depreciation and amortization	693,370	66,711	4,622	71,333	764,703
Developmental activities	-	-	35,073	35,073	35,073
Educational media and supplies	424,328	-	-	-	424,328
Extended day activities	10,160	-	-	-	10,160
Field trips and special events	219,867	50,043	-	50,043	269,910
Food	1,048,863	-	-	-	1,048,863
Insurance	200,185	22,243	-	22,243	222,428
Interest	23,889	2,748	-	2,748	26,637
Library	126,511	-	-	-	126,511
License and fees	180,636	-	-	-	180,636
Miscellaneous	35,636	19,555	3,661	23,216	58,852
Occupancy	639,233	51,217	3,548	54,765	693,998
Office supplies	65,775	65,775	14,616	80,391	146,166
Parent services	107,112	-	-	-	107,112
Professional fees	229,719	6,727	-	6,727	236,446
Repairs and maintenance	972,360	93,552	6,481	100,033	1,072,393
Salaries, payroll taxes & employee benefits	22,112,427	2,059,805	130,998	2,190,803	24,303,230
Scholar incentives	27,290	-	-	-	27,290
Scholarship awards	27,500	-	-	-	27,500
Security	207,125	-	-	-	207,125
Special education	221,027	-	-	-	221,027
Technology	458,623	-	-	-	458,623
Telephone	70,338	7,816	-	7,816	78,154
Training and seminars	418,642	18,492	1,282	19,774	438,416
Uniforms	116,108	-	-	-	116,108
Total Expenses	\$ 28,942,779	\$ 2,464,684	\$ 200,281	\$ 2,664,965	\$ 31,607,744

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 4,247,904	\$ (821,321)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	917,742	764,703
Amortization of below-market lease	(75,630)	(79,384)
Change in credit loss allowance	(51,781)	26,314
Realized gain on investments	(762,014)	(1,042,545)
Unrealized loss on investments	281,007	447,616
Changes in operating assets and liabilities:		
Grants receivable	(3,148,751)	1,797,367
Accounts receivable	187,066	45,841
Other receivables	(1,645)	2,222
Unconditional promises to give	-	(100,000)
Prepaid expenses	(164,847)	(18,635)
Accounts payable	(245,646)	(230,505)
Accrued wages and benefits	136,079	10,910
Due to Milwaukee Public Schools	505,820	-
	1,825,304	802,583
Cash Flows from Investing Activities		
Purchases of property and equipment	(744,252)	(5,455,606)
Proceeds from sales and maturities of investments	2,075,000	3,502,382
Purchases of investments	(51,695)	(1,847,345)
	1,279,053	(3,800,569)
Cash Flows from Financing Activities		
Proceeds from borrowings	1,000,000	500,000
Principal payments on finance leases	(10,003)	(10,981)
	989,997	489,019
Net Cash Provided by Financing Activities	989,997	489,019
Net Increase (Decrease) in Cash and Cash Equivalents	4,094,354	(2,508,967)
Cash and Cash Equivalents at Beginning of Year	713,539	3,222,506
Cash and Cash Equivalents at End of Year	\$ 4,807,893	\$ 713,539
Supplemental Disclosures		
Interest paid	\$ 107,445	\$ 26,637

See notes to financial statements.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

M.C. Preparatory School of Wisconsin, Inc. (the “Organization”) is a non-profit, non-denominational and non-sectarian charter school pursuant to contracts with the Milwaukee Board of School Directors. The purpose of the Organization is to provide elementary and middle school students a quality multicultural education in an integrated school environment. The Organization operates four campuses.

Basis of Accounting

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

Basis of Presentation

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

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

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

Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

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

Functional Expense Allocation

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

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes amounts on hand and amounts on deposit at financial institutions in checking, savings, money market, and insured bank sweep accounts.

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable for amounts due for services have been adjusted for all known uncollectible accounts. Management has assessed the allowance for credit losses based on historical loss experience, current conditions, and reasonable and supportable forecasts for expected collectability. The accounts receivable balances reflect an allowance for credit losses of \$12,861 and \$64,642 as of June 30, 2024 and 2023, respectively.

Grants Receivable

Grants receivable includes amounts for revenue from government grants earned, but not yet received, as of year-end. Management has determined, based on historical experience, that all grant receivables are fully collectible and no allowance for doubtful accounts is necessary as of June 30, 2024 and 2023.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. Management believes all amounts to be fully collectible so an allowance for doubtful accounts has not been recorded.

Property and Equipment

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Leases

The Organization determines if an arrangement is an operating or finance lease at inception. Leases are included in right-of-use ("ROU") assets, current liabilities, and long term liabilities on the Organization's Statements of Financial Position. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the implicit interest rate.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes revenue from exchange transactions when the service is performed. Revenue from performance obligations satisfied at a point in time consists of the following:

Program fees are recorded as revenue in the period that the service is performed. Program service fee revenue is billed and recorded as revenue in the month the services are provided. Those services provided are considered the performance obligation and are satisfied at the point in time the services are performed.

Revenue from non-exchange transactions consist of the following:

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

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

Grants and government contracts are recorded as contributions and are recognized as revenue in the period when the related expenses are incurred or as the contribution is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Donated Services

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

Income Tax Status

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

The Organization follows accounting for uncertainty in income taxes which describes a recognition and measurement of a tax position taken or expected to be taken and also provides guidance on derecognition, interest and penalties, and disclosure. Management has reviewed all tax positions taken, if any, and those expected to be taken in future tax returns. As of June 30, 2024 and 2023, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

The Organization is no longer subject to U.S. federal income tax examinations for years ending before June 30, 2021.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326), including all subsequent updates, for the year ended June 30, 2024. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an organization's exposure to credit risk and the measurement of credit losses. To achieve this objective, the update replaces 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. Financial assets held by the Organization that are subject to the guidance in Topic 326 are accounts receivable. This standard did not have a material impact on the Organization's financial statements.

Note 2 - Prior Period Adjustment

Grants receivable were overstated in the prior year which resulted in entries being made to reduce previously reported grants receivable and revenue by \$111,405 as of June 30, 2023.

Note 3 - Unconditional Promises to Give

Unconditional promises to give amount to \$107,000 at June 30, 2024 and 2023. As of June 30, 2024 and 2023, there are no long-term unconditional promises to give that need to be discounted. No allowance for uncollectible promises to give exists at June 30, 2024 or 2023.

Unconditional promises to give are as follows:

	<u>2024</u>	<u>2023</u>
Promises to give expected to be collected in:		
Less than one year	\$ 107,000	\$ 107,000
One to five years	-	-
More than five years	-	-
	<u>\$ 107,000</u>	<u>\$ 107,000</u>

Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 1,183,823	\$ 967,684
Building and improvements	27,265,563	26,781,971
Furniture, fixtures and equipment	882,905	838,384
	29,332,291	28,588,039
Less: accumulated depreciation and amortization	<u>(8,218,378)</u>	<u>(7,312,868)</u>
Net Property and Equipment	<u>\$ 21,113,913</u>	<u>\$ 21,275,171</u>

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 5 - Investments

The fair values of investments totaled \$2,034,477 and \$3,605,301 at June 30, 2024 and 2023, respectively. The following schedule summarizes investment returns and their classification in the statement of activities for the year ended:

	2024	2023
Interest and dividend income	\$ 61,872	\$ 72,873
Net realized and unrealized gain	481,007	594,929
Total investment income, net	\$ 542,880	\$ 667,802

Note 6 - Fair Value Measurements

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The Organization had no investments qualify under Level 3.

Inputs and Valuation Methods – In determining fair value, FASB ASC 820 allows various valuation approaches. The specific methods used for each of the Organization’s investment classes are presented below:

Common stock, exchange-traded funds and mutual funds – The fair value of common stock, exchange-traded funds and mutual funds is generally based on quoted market prices in active markets.

United States Treasury Notes – The fair value is the present value of future cash flows.

Money market fund – The value of the money market fund is based on the total value of all the securities held using the amortized cost method. Generally, the amortized cost approximates the current fair value. The fund seeks to maintain a net asset value of \$1.

Partnerships and multi-strategy credit fund – The fair value of the units of the partnership and multi-strategy credit fund is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent, as a practical expedient for fair value.

Limited liability corporations – The fair value of the units of the limited liability corporations is estimated based on the net asset value per unit of the investments. The underlying asset values of the limited liability corporations are based on independent appraisals and/or estimated by management.

There have been no changes to the methodologies used at June 30, 2024 and 2023.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 6 - Fair Value Measurements (continued)

The following table presents information relating to the fair value measurements for assets that are measured at fair value on a recurring basis at June 30, 2024 and 2023:

	Fair Market Value Measurements Using		
	(Level 1)	(Level 2)	Total Fair Value
As of June 30, 2024			
Assets in the fair value hierarchy			
Common stock	\$ 4,111	\$ -	\$ 4,111
Exchange-traded funds	1,418,833	-	1,418,833
Mutual funds	571,793	-	571,793
U.S. Treasury Notes	-	24,484	24,484
Money market fund	-	1,238	1,238
	<u>\$1,994,737</u>	<u>\$ 25,722</u>	<u>2,020,459</u>
Investments measured at net asset value			
Multi-strategy credit fund			167
Partnership			6,975
Limited liability corporation			6,876
			<u>14,018</u>
Total investments measured at net asset value			<u>14,018</u>
Total investments at fair value			<u>\$ 2,034,477</u>

	Fair Market Value Measurements Using		
	(Level 1)	(Level 2)	Total Fair Value
As of June 30, 2023			
Assets in the fair value hierarchy			
Exchange-traded funds	\$1,149,249	\$ -	\$ 1,149,249
Mutual funds	2,391,432	-	2,391,432
U.S. Treasury Notes	-	47,914	47,914
Money market fund	-	2,701	2,701
	<u>\$3,540,681</u>	<u>\$ 50,615</u>	<u>3,591,296</u>
Investments measured at net asset value			
Multi-strategy credit fund			243
Partnership			6,897
Limited liability corporation			6,865
			<u>14,005</u>
Total investments measured at net asset value			<u>14,005</u>
Total investments at fair value			<u>\$ 3,605,301</u>

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 6 - Fair Value Measurements (continued)

The table below reconciles investments measured at fair value to amounts reported on the statements of financial position:

As of June 30,	2024	2023
Investments measured at fair value	\$ 2,034,477	\$ 3,605,301
Other investments not measured at fair value:		
Bank sweep accounts	26,531	733
Money market accounts	55,419	52,691
Total investments	\$ 2,116,427	\$ 3,658,725

FASB ASC 820 allows entities to use net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the NAV is calculated in a manner consistent with investment company accounting.

The following provides additional disclosures regarding the nature and risks of investments within the scope of this guidance:

Investment Type / Name	Fair Value as of June 30,		Redemption Frequency (if currently eligible)	Redemption Notice Period
	2024	2023		
Multi-strategy credit fund	\$ 167	\$ 243	Semi-Annual	30 days
Partnership	6,975	6,897	Semi-Monthly	9 days
Limited liability corporation	6,876	6,865	Weekly	3 days
Total	\$ 14,018	\$ 14,005		

There were no unfunded commitments as of June 30, 2024 and 2023.

Note 7 - Below-Market Lease

On July 2, 2014, the Organization purchased the North Avenue facility, consisting of land, building and improvements and included an intangible liability for a below-market lease. The fair value of the property was determined using an “as-is” market value. The ten year lease obligation is considered to be a below market lease that resulted in a lower purchase price of the building. The below-market lease intangible is recorded as a liability and amortized into rental income over the ten year lease period.

The below-market lease value was calculated to be approximately \$1,200,000, based upon a triple net market rent of \$3.75 per square foot using 57,000 square feet of space and assuming an 11% discount rate and a flat rent over the ten year period, with a nominal 4% vacancy and collection loss factor as well as a 1% miscellaneous administrative expense. Rental income recognized as a result of the below-market lease for the years ended June 30, 2024 and 2023, was \$71,515 and \$79,382, respectively. The lease expired on June 30, 2024 and continues on as a month-to-month lease.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 8 - Line of Credit

As of June 30, 2024 and 2023, the Organization has available a line of credit from Old National Bank in the amount of \$1,500,000. Interest is paid on the outstanding balance at .25 points over Prime Rate as published in The Wall Street Journal, and shall not be less than 3.25%. The line is due on demand. The balance on the line of credit at June 30, 2024 and 2023 is \$1,500,000 and \$500,000, respectively. The line is secured by a general business security agreement.

Note 9 - Finance Leases

The Organization leases equipment under two finance leases previously classified as capital leases. The leased equipment is depreciated on a straight-line basis over 5 years. Total accumulated depreciation related to the leased equipment is \$32,058 and \$19,827 at June 30, 2024 and 2023, respectively. Depreciation expense for finance lease assets included in expense was \$12,231 for the years ended June 30, 2024 and 2023.

The interest rates related to the lease obligations are 3.5% with maturity dates of September 2026 and November 2026. As of June 30, 2024, the future minimum lease payments required under the finance leases and the present value of the net minimum lease payments are as follows:

	Year Ended June 30,	Amount
	2025	\$ 12,340
	2026	12,340
	2027	8,071
Total minimum lease payments		32,751
Less amount representing interest		(118)
Present value of future minimum lease payments		\$ 32,633

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2024	2023
Weighted Average Remaining Lease Term	2.33 years	3.33 years
Weighted Average Discount Rate	3.50%	3.50%

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

	2024	2023
Operating cash flows - cash paid for finance leases	\$ 97	\$ 180
Financing cash flows - cash paid for finance leases	\$ 10,003	\$ 10,981

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 10 - Net Assets Without Donor Restrictions - Board Designated

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

	2024	2023
Future college scholarships	\$ 60,695	\$ 60,695

Note 11 - Net Assets With Donor Restrictions

The Organization has net assets with donor restrictions for the following purpose:

	2024	2023
High school scholarships	\$ 105,131	\$ 119,131
Alumni program	100,000	100,000
Alumni college scholarships	662,436	544,442
Basketball court refurbishment	-	125,000
Parent advocacy	-	45,000
Continuum of SEL and Trauma-Informed Care	-	53,260
	\$ 867,567	\$ 986,833

Note 12 - Endowment Funds

The Organization has donor restricted endowment funds, which have been established to provide scholarships that allow the Organization to help remove a barrier to college for its alumni scholars by assisting recipients in paying for college. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the Organization to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of the donor's gifts to the endowment, (b) the original value of a donor's subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Organization, and (g) the Organization's investment policies.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 12 - Endowment Funds (continued)

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). There were no such deficiencies of this nature at June 30, 2024 and 2023.

Investment Return

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Under the investment policies, the Organization's endowment funds are invested in a combination of cash equivalents, fixed income, equities, and exchange traded funds.

Spending Policy

The Organization's investment spending policy is as follows:

- Year 1: 5% of the average of the most recent 4 quarters.
- Year 2: 5% of the average of the most recent 8 quarters.
- Year 3 and beyond: 5% of the average of the most recent 12 quarters.

An additional draw of 1% is available to cover the Organization's administrative costs.

As of June 30, 2024, nothing has been drawn from the endowment funds.

		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Gains	Original Gift Held in Perpetuity		Total
As of June 30, 2024					
Donor-designated endowment funds	\$ -	\$ 162,436	\$ 500,000		\$ 662,436
Total endowment net assets	\$ -	\$ 162,436	\$ 500,000		\$ 662,436

		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Gains	Original Gift Held in Perpetuity		Total
As of June 30, 2023					
Donor-designated endowment funds	\$ -	\$ 44,442	\$ 500,000		\$ 544,442
Total endowment net assets	\$ -	\$ 44,442	\$ 500,000		\$ 544,442

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 12 - Endowment Funds (continued)

Changes in Endowment Net Assets

Years Ended June 30,	With Donor Restrictions	
	2024	2023
Endowments at beginning of year	\$ 544,442	\$ -
Contributions	-	500,000
Interest and dividend income	10,283	2,703
Net realized and unrealized gain	107,711	41,739
Endowments at end of year	\$ 662,436	\$ 544,442

Note 13 - Liquidity and Availability

The Organization does not have a formal liquidity policy but generally maintains financial assets to meet 90 days of operating expenses (approximately \$6,000,000). Excess cash is invested in short-term investments, including money market accounts. An additional \$2,000,000 reserve is invested in mutual funds to respond to future growth and expansion opportunities. The Organization has a \$1,500,000 line of credit available to meet cash flow needs if primary funding resources are delayed.

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 4,807,893	\$ 713,539
Grants receivable	7,734,155	4,585,404
Accounts receivable, net	82,764	218,049
Other receivables	1,645	-
Unconditional promises to give	107,000	107,000
Investments	2,116,427	3,658,725
Subtotal financial assets	14,849,884	9,282,717
Less grant funds received in advance:		
Restricted program contributions	(867,567)	(986,833)
Financial assets available to meet general expenditures within one year	\$ 13,982,317	\$ 8,295,884

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 14 - Conditional Federal Grants

Certain federal grants may be considered conditional contributions upon which the revenue is recorded as the allowable qualifying expenses are incurred. For the years ended June 30, 2024 and 2023, the conditional federal grants are as follows:

	2024	2023
Conditional grant amount	\$ 13,139,652	\$ 14,653,105
Previously recognized	(3,433,732)	-
Currently recognized	(8,007,980)	(5,221,773)
Remaining conditional balance	\$ 1,697,940	\$ 9,431,332

Note 15 - Retirement Plan

The Organization has a 403(b) retirement plan for all employees who normally work 20 or more hours per week (defined as 1,000 hours per year). The Organization may match up to 5% of salary (all compensation excluding merit pay) for those participating in the 403(b). Employees are eligible for the match after completing 12 months of service and are required to be employed on the last day of the calendar year. The total match contributed during the years ended June 30, 2024 and 2023 was \$317,100 and \$288,784, respectively.

Note 16 - Self-Funded Insurance Program

On May 1, 2015, the School established a self-funded dental benefit plan for its employees. The Plan administrators, Delta Dental of Wisconsin are responsible for the approval, processing, and payment of claims, after which they bill the School for reimbursement. The School is also responsible for a monthly administrative fee. The School has no stop-loss coverage for dental care coverage of the Plan. The Plan reports on a fiscal year ending April 30.

Claims liability and payments for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Estimated Claims Outstanding, July 1	\$ 9,432	\$ 13,569
Claim Payments	124,878	151,866
Estimated Claims Outstanding, June 30	7,112	9,432

Note 17 - Related Party Transactions

A board member of the Organization is employed at a law firm that provides legal services for the Organization. Legal expenses paid to this firm for the years ended June 30, 2024 and 2023 were \$20,216 and \$26,848, respectively.

Note 18 - Concentration of Cash

The Organization maintains depository relationships with two financial institutions, and the Organization's balances at times exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At June 30, 2024 and 2023, the Organization's uninsured cash balances total \$4,707,128 and \$557,990, respectively.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 19 - Concentration of Revenues

In 2024 and 2023, respectively, the Organization receives approximately 91% and 89% of its total support and revenue from its charter school contracts with the Milwaukee Board of School Directors.

Note 20 - Subsequent Events

The Organization has evaluated subsequent events through April 10, 2025, the date which the financial statements were available to be issued.

M.C. College Preparatory School of Wisconsin, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	Assistance Listing Number	Pass-Through Entity Identifying Number	Accrued (Deferred) Revenue 7/1/23	Cash Received	Federal Expenditures	Accrued (Deferred) Revenue 6/30/24
<u>U.S. Department of Agriculture</u>						
Wisconsin Department of Public Instruction						
Milwaukee Public Schools						
<i>Child Nutrition Cluster</i>						
<i>School Breakfast Program</i>	10.553	-	\$ 53,348	\$ 223,099	\$ 369,990	\$ 200,239
<i>National School Lunch Program</i>	10.555	-	147,737	629,667	1,047,077	565,147
			<u>201,085</u>	<u>852,766</u>	<u>1,417,067</u>	<u>765,386</u>
			Total U.S. Department of Agriculture	<u>201,085</u>	<u>852,766</u>	<u>1,417,067</u>
						<u>765,386</u>
<u>U.S. Department of Education</u>						
Wisconsin Department of Public Instruction						
Milwaukee Public Schools						
<i>Title I Grants to Local Educational Agencies</i>						
<i>Special Education Cluster (IDEA)</i>	84.010	-	-	1,174,822	1,716,956	542,134
<i>Special Education - Grants to States</i>	84.027	-	71,262	71,262	137,928	137,928
			<u>71,262</u>	<u>71,262</u>	<u>137,928</u>	<u>137,928</u>
			Total Special Education Cluster (IDEA)	<u>71,262</u>	<u>71,262</u>	<u>137,928</u>
<i>Elementary and Secondary School Emergency Relief - COVID 19</i>	84.425U	-	4,346,430	6,549,255	7,957,402	5,754,577
			<u>4,346,430</u>	<u>6,549,255</u>	<u>7,957,402</u>	<u>5,754,577</u>
			Total U.S. Department of Education	<u>4,417,692</u>	<u>7,795,339</u>	<u>9,812,286</u>
						<u>6,434,639</u>
<u>U.S. Department of Health and Human Services</u>						
Department of Children and Families						
<i>CCDF Cluster</i>						
<i>Child Care and Development Block Grant</i>	93.575	-	-	710,200	710,200	-
			<u>-</u>	<u>710,200</u>	<u>710,200</u>	<u>-</u>
			Total CCDF Cluster	<u>-</u>	<u>710,200</u>	<u>-</u>
Forward Wisconsin						
<i>Medicaid Cluster</i>						
<i>Medical Assistance Program</i>	93.778	-	-	98,585	98,585	-
			<u>-</u>	<u>98,585</u>	<u>98,585</u>	<u>-</u>
			Total Medicaid Cluster	<u>-</u>	<u>98,585</u>	<u>-</u>
			Total U.S. Department of Health and Human Services	<u>-</u>	<u>808,785</u>	<u>-</u>
			Total Expenditures of Federal Awards	<u>\$ 4,618,777</u>	<u>\$ 9,456,890</u>	<u>\$ 12,038,138</u>
						<u>\$ 7,200,025</u>

See notes to schedule of expenditures of federal awards.

M.C. Preparatory School of Wisconsin, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of M.C. Preparatory School of Wisconsin, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of M.C. Preparatory School of Wisconsin, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of M.C. Preparatory School of Wisconsin, Inc.

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

M.C. Preparatory School of Wisconsin, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of
M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 April 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of M.C. Preparatory School of Wisconsin, Inc.'s internal control.

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

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

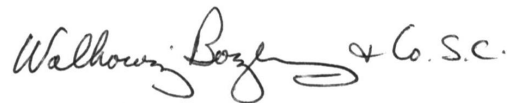
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether M.C. Preparatory School of Wisconsin, 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.

Handwritten signature of Walhoun Boyer & Co. S.C. in cursive script.

Waukesha, Wisconsin
April 10, 2025



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

To the Board of Directors of
M.C. Preparatory School of Wisconsin, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, Inc.'s major federal programs for the year ended June 30, 2024. M.C. Preparatory School of Wisconsin, 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, M.C. Preparatory School of Wisconsin, Inc. complied, in all material respects, with the 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on M.C. Preparatory School of Wisconsin, Inc.'s response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. M.C. Preparatory School of Wisconsin, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

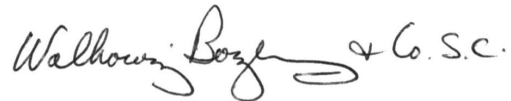
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on M.C. Preparatory School of Wisconsin, Inc.'s response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. M.C. Preparatory School of Wisconsin, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

Waukesha, Wisconsin
April 10, 2025

**M.C. Preparatory School of Wisconsin, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

2023-001 *Finding:* Claims are not reviewed by management prior to requesting reimbursement.

Action Taken: M.C. College Preparatory School of Wisconsin, Inc.'s policies and procedures controlling the qualification, classification, and documentation of grant claims was augmented by adding the requirement of a formal review and recorded acknowledgment by the CEO of each claim prior to submission.

Status: M.C. College Preparatory School of Wisconsin, Inc. followed the aforementioned policies and procedures controlling the qualification, classification, and documentation of grant claims.

**M.C. College Preparatory School of Wisconsin, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |
| 7. Identification of major programs tested: | |

Assistance Listing Number(s)	Name of Major Program or Cluster
84.425	Elementary and Secondary School Emergency Relief Fund - COVID 19
93.575	Child Care and Development Block Grant

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

B. Financial Statement Findings

No matters were reported

C. Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

MATERIAL WEAKNESSES

2024-001 Elementary and Secondary School Emergency Relief Fund - COVID 19 – CFDA No. 84.425

Condition: During the audit of submitted claims, it was found that there was a lack of sufficient review procedures to ensure proper verification of costs. Specifically, several instances of duplicated expenditures were identified within the claims. The same costs were submitted more than once for reimbursement, resulting in questioned costs.

Criteria: The Organization's internal controls should require that claims be thoroughly reviewed for accuracy and completeness before submission. This includes verifying that costs are not duplicated and ensuring proper documentation supports each expenditure. Additionally, the previously submitted claims included in the period of performance should be monitored to prevent duplication.

Cause: The review process did not involve cross-checking with previous claims or documentation to identify and prevent the submission of duplicate costs.

Effect: As a result of inadequate claim reviews, the organization has submitted claims containing duplicated costs. These duplicated expenditures have resulted in questioned costs, which may need to be refunded. The failure to detect and prevent such errors could lead to non-compliance with funding requirements.

Questioned costs: \$505,820

Auditor's recommendation: It is recommended that the organization implement a more thorough review process for all submitted claims. This should include cross-checking current claims against previous claims to detect and prevent duplicated costs. A system should be implemented to track claims and associated costs more effectively, ensuring that no expenditure is claimed more than once.



CORRECTIVE ACTION PLAN

April 10, 2025

M.C. College Preparatory School of Wisconsin, Inc., respectfully submits the following corrective action plan for the year ending June 30, 2024.

Walkowicz, Boczkiewicz & Co., S.C.
1800 East Main Street, Suite 100
Waukesha, WI 53186

AUDIT PERIOD: June 30, 2024

The findings from the June 30, 2024, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

MATERIAL WEAKNESS

2024-001 Elementary and Secondary School Emergency Relief Fund - COVID-19 – CFDA No. 84.425

Condition: During the audit of submitted claims, it was found that there was a lack of sufficient review procedures to ensure proper verification of costs. Specifically, several instances of duplicated expenditures were identified within the claims. The same costs were submitted more than once for reimbursement, resulting in questioned costs.

Criteria: The Organization's internal controls should require that claims be thoroughly reviewed for accuracy and completeness before submission. This includes verifying that costs are not duplicated and ensuring proper documentation supports each expenditure. Additionally, the previously submitted claims included in the period of performance should be monitored to prevent duplication.

Cause: The review process did not involve cross-checking with previous claims or documentation to identify and prevent the submission of duplicate costs.

Effect: As a result of inadequate claim reviews, the organization has submitted claims containing duplicated costs. These duplicated expenditures have resulted in questioned costs, which may need to be refunded. The failure to detect and prevent such errors could lead to non-compliance with funding requirements.

Questioned costs: \$505,820

Auditor's recommendation: It is recommended that the organization implement a more thorough review process for all submitted claims. This should include cross-checking current claims against previous claims to detect and prevent duplicated costs. A system should be implemented to track claims and associated costs more effectively, ensuring that no expenditure is claimed more than once.

Action Taken: M.C. College Preparatory School of Wisconsin, Inc.'s Management has completed the transition to a new payroll system with enhanced process controls as of December 2024. This system enables the organization to isolate funding source allocations at the individual employee level, thereby preventing expenses from being attributed to more than one source. Final programming and control reviews are scheduled for completion prior to June 30, 2025.



MILWAUKEE COLLEGE PREP
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Further, Management has reviewed the questioned costs with the local education authority and has submitted qualified replacement expenses for all amounts initially submitted in error. As a result, no refund is required, and the applicable financial reserve will be released in the upcoming fiscal year.

If the Department of Education has questions regarding this plan, please call Alfred Keith IV at 414-264-6000.

Sincerely yours,

Alfred Keith IV
Chief Education Officer



INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULES OF
CHARTER SCHOOL REVENUES AND EXPENDITURES

The Board of Directors of M.C. Preparatory School of Wisconsin, Inc.
and Milwaukee Public Schools

We have audited the accompanying schedules of charter school revenues and expenditures (as defined in the contract dated August 2, 2021, between MPS and M.C. Preparatory School of Wisconsin, Inc. for the year ended June 30, 2024. These schedules are the responsibility of M.C. Preparatory School of Wisconsin, Inc.'s management. Our responsibility is to (1) express an opinion on these schedules based on our audit and (2) express an opinion on M.C. Preparatory School of Wisconsin, Inc.'s compliance with the contract requirement that M.C. Preparatory School of Wisconsin, 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 schedules of charter school revenues and expenditures are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules of charter school revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by the management of M.C. Preparatory School of Wisconsin, 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 M.C. Preparatory School of Wisconsin, Inc. is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered M.C. Preparatory School of Wisconsin, 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 schedules 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 schedules of charter school revenues and expenditures referred to above presents fairly, in all material respects, the expenditure and revenue activities of M.C. Preparatory School of Wisconsin, 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.

Walshorn Boyer & Co. S.C.

Waukesha, Wisconsin
April 10, 2025

M.C. Preparatory School of Wisconsin, Inc.
Schedule of Contract Revenues and Expenditures
Milwaukee Public Schools-36th Street
Year Ended June 30, 2024

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
MPS Charter School	\$ 5,341,300	\$ 5,345,812	\$ 4,512
Expenses			
Instructional and Instructional Support			
Salaries	3,352,300	2,446,205	(906,095)
Benefits	1,015,500	850,435	(165,065)
Purchased services	97,000	182,255	85,255
Supplies	230,000	151,159	(78,841)
Total Expenses - Instructional and Instructional Support	<u>4,694,800</u>	<u>3,630,054</u>	<u>(1,064,746)</u>
Non-Instructional Support			
Salaries	290,000	471,529	181,529
Benefits	103,700	94,820	(8,880)
Purchased services	171,500	206,381	34,881
Supplies	80,000	294,478	214,478
Utilities / telephone / fees & other	-	553,768	553,768
Total Expenses - Non-Instructional Support	<u>645,200</u>	<u>1,620,976</u>	<u>975,776</u>
Total Expenses	<u>5,340,000</u>	<u>5,251,030</u>	<u>(88,970)</u>
Revenues in Excess of (Less Than) Expenditures	<u>\$ 1,300</u>	<u>\$ 94,782</u>	<u>\$ 93,482</u>

M.C. Preparatory School of Wisconsin, Inc.
Schedule of Contract Revenues and Expenditures
Milwaukee Public Schools-38th Street
Year Ended June 30, 2024

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
MPS Charter School	\$ 5,307,100	\$ 5,092,299	\$ (214,801)
Expenses			
Instructional and Instructional Support			
Salaries	3,352,200	2,457,489	(894,711)
Benefits	1,028,900	703,003	(325,897)
Purchased services	95,000	188,082	93,082
Supplies	224,900	147,739	(77,161)
Total Expenses - Instructional and Instructional Support	<u>4,701,000</u>	<u>3,496,313</u>	<u>(1,204,687)</u>
Non-Instructional Support			
Salaries	270,000	466,689	196,689
Benefits	99,900	107,665	7,765
Purchased services	156,200	209,748	53,548
Supplies	80,000	329,297	249,297
Utilities / telephone / fees & other	-	539,326	539,326
Total Expenses - Non-Instructional Support	<u>606,100</u>	<u>1,652,725</u>	<u>1,046,625</u>
Total Expenses	<u>5,307,100</u>	<u>5,149,038</u>	<u>(158,062)</u>
Revenues in Excess of Expenditures	<u>\$ -</u>	<u>\$ (56,739)</u>	<u>\$ (56,739)</u>

M.C. Preparatory School of Wisconsin, Inc.
Schedule of Contract Revenues and Expenditures
Milwaukee Public Schools-Lloyd Street
Year Ended June 30, 2024

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
MPS Charter School	\$ 5,416,700	\$ 5,268,656	\$ (148,044)
Expenses			
Instructional and Instructional Support			
Salaries	3,425,990	2,327,340	(1,098,650)
Benefits	1,023,800	694,139	(329,661)
Purchased services	97,000	182,208	85,208
Supplies	230,000	156,951	(73,049)
Total Expenses - Instructional and Instructional Support	<u>4,776,790</u>	<u>3,360,638</u>	<u>(1,416,152)</u>
Non-Instructional Support			
Salaries	280,000	545,584	265,584
Benefits	112,850	108,083	(4,767)
Purchased services	167,000	213,646	46,646
Supplies	80,000	306,397	226,397
Utilities / telephone / fees & other	-	438,281	438,281
Total Expenses - Non-Instructional Support	<u>639,850</u>	<u>1,611,991</u>	<u>972,141</u>
Total Expenses	<u>5,416,640</u>	<u>4,972,629</u>	<u>(444,011)</u>
Revenues in Excess of Expenditures	<u>\$ 60</u>	<u>\$ 296,027</u>	<u>\$ 295,967</u>

M.C. Preparatory School of Wisconsin, Inc.
Schedule of Contract Revenues and Expenditures
Milwaukee Public Schools-North Avenue
Year Ended June 30, 2024

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
MPS Charter School	\$ 5,509,900	\$ 5,467,057	\$ (42,843)
Expenses			
Instructional and Instructional Support			
Salaries	3,323,400	2,571,686	(751,714)
Benefits	995,800	862,538	(133,262)
Purchased services	130,000	203,287	73,287
Supplies	327,800	159,657	(168,143)
Total Expenses - Instructional and Instructional Support	<u>4,777,000</u>	<u>3,797,168</u>	<u>(979,832)</u>
Non-Instructional Support			
Salaries	305,000	492,015	187,015
Benefits	109,900	95,728	(14,172)
Purchased services	183,000	235,176	52,176
Supplies	135,000	446,753	311,753
Utilities / telephone / fees & other	-	665,665	665,665
Total Expenses - Non-Instructional Support	<u>732,900</u>	<u>1,935,337</u>	<u>1,202,437</u>
Total Expenses	<u>5,509,900</u>	<u>5,732,505</u>	<u>222,605</u>
Revenues Less Than Expenditures	<u>\$ -</u>	<u>\$ (265,448)</u>	<u>\$ (265,448)</u>