

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

Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022



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Milwaukee Science Education Consortium, Inc.

Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Milwaukee Science Education Consortium, Inc. (the "School") d/b/a Milwaukee Academy of Science, a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Science Education Consortium, Inc. as of June 30, 2023 and 2022, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. 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 Milwaukee Science Education Consortium, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Milwaukee Science Education Consortium, Inc.'s ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS 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 Milwaukee Science Education Consortium, 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 Milwaukee Science Education Consortium, 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.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information includes the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all materiality 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 December 15, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milwaukee Science Education Consortium, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Milwaukee, Wisconsin
December 15, 2023

Milwaukee Science Educational Consortium, Inc.

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 4,225,806	\$ 6,301,715
Accounts receivable	15,081	11,718
Prepaid expenses	183,955	92,547
Grants receivable	2,045,996	795,902
Escrow fund	10,341,781	-
Promises to give, current portion	113,737	276,976
Total current assets	16,926,356	7,478,858
Other assets:		
Reserve funds - Restricted	947,418	1,756,478
Promises to give, net of current portion	333,678	577,741
Total other assets	1,281,096	2,334,219
Property and equipment, net of accumulated depreciation	13,580,280	12,595,686
TOTAL ASSETS	\$ 31,787,732	\$ 22,408,763

See accompanying notes to the financial statements

Milwaukee Science Educational Consortium, Inc.

Statements of Financial Position (Continued)

June 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Current liabilities:		
Current portion of bonds and notes payable	\$ 10,310,000	\$ 215,000
Accounts payable	684,052	440,169
Accrued payroll and payroll taxes	787,822	526,561
Refundable advance liability	10,765	6,915
Accrued interest	258,135	258,452
Other accrued expenses	27,426	15,347
Total current liabilities	12,078,200	1,462,444
Bonds and notes payable, net of current portion	10,693,848	9,704,688
Loan payable, net of current portion	-	1,789,884
Total Long Term Liabilities	10,693,848	11,494,572
Total liabilities	22,772,048	12,957,016
Net assets:		
Without donor restrictions	8,330,565	8,561,980
With donor restrictions	685,119	889,767
Total net assets	9,015,684	9,451,747
TOTAL LIABILITIES AND NET ASSETS	\$ 31,787,732	\$ 22,408,763

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Activities

Years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Federal grant revenue	\$ 4,168,762	\$ -	\$ 4,168,762	\$ 3,426,292	\$ -	\$ 3,426,292
State grant revenue						
Charter school membership program	12,390,250	-	12,390,250	11,905,867	-	11,905,867
Other state grant revenue	258,464	-	258,464	453,620	-	453,620
Contributions	902,075	263,641	1,165,716	1,668,970	1,033,015	2,701,985
Uniform sales and other fees	37,318	-	37,318	37,519	-	37,519
Interest income	170,084	-	170,084	6,532	-	6,532
Insurance proceeds	4,640,498	-	4,640,498	-	-	-
Other income	169,470	-	169,470	193,339	-	193,339
Total support and revenue before net assets released from restrictions	22,736,921	263,641	23,000,562	17,692,139	1,033,015	18,725,154
Net assets released from restrictions	468,289	(468,289)	-	1,608,447	(1,608,447)	-
Total support and revenue	23,205,210	(204,648)	23,000,562	19,300,586	(575,432)	18,725,154
Expenses:						
Program services expense	21,139,694	-	21,139,694	14,118,346	-	14,118,346
Supporting services expense:						
Management and general	1,742,208	-	1,742,208	1,948,611	-	1,948,611
Fundraising and development	409,006	-	409,006	633,450	-	633,450
Total expenses	23,290,909	-	23,290,909	16,700,407	-	16,700,407
Other expenses - Loss on debt refinance	145,716	-	145,716	-	-	-
Change in net assets	(231,415)	(204,648)	(436,063)	2,600,179	(575,432)	2,024,747
Net assets at beginning of year	8,561,980	889,767	9,451,747	5,961,801	1,465,199	7,427,000
Net assets at end of year	\$ 8,330,565	\$ 685,119	\$ 9,015,684	\$ 8,561,980	\$ 889,767	\$ 9,451,747

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (436,063)	\$ 2,024,747
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	547,326	412,388
Loss on debt refinance	145,716	-
Debt issuance costs amortized to interest	49,987	49,987
Changes in operating assets and liabilities:		
Promises to give	407,302	(487,829)
Grants receivable	(1,250,094)	(339,177)
Accounts receivables	(3,363)	(1,681)
Prepaid expenses	(91,408)	49,361
Accounts payable	243,883	(442,586)
Accrued payroll and payroll taxes	261,261	3,724
Accrued interest	(317)	(11,756)
Other accrued expenses	12,079	8,685
Debt issuance costs	(258,757)	(181,516)
Refundable advance liability	3,850	(37,320)
Net cash flows from operating activities	(368,598)	1,047,027
Cash flows from investing activities:		
Deposits to reserve funds - Restricted	29,873,178	15,629,861
Distributions from reserve funds - Restricted	(39,405,899)	(15,646,393)
Purchases of property, plant and equipment	(1,531,920)	(4,225,312)
Net cash flows from investing activities	(11,064,641)	(4,241,844)
Cash flows from financing activities:		
Principal payments on bonds and notes payable	(1,549,278)	(205,000)
Proceeds on issuance of loan payable	10,906,608	1,953,249
Net cash flows from financing activities	9,357,330	1,748,249
Net change cash and cash equivalents	(2,075,909)	(1,446,568)
Cash and cash equivalents at beginning of year	6,301,715	7,748,283
Cash and cash equivalents at end of year	\$ 4,225,806	\$ 6,301,715
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 764,435	\$ 723,932

See accompanying notes to the financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Functional Expenses

Year Ended June 30, 2023

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 8,933,542	\$ 110,055	\$ 210,640	\$ 9,254,238
Payroll taxes	612,831	37,561	242	650,634
Employee benefits	1,163,739	60,693	36,963	1,261,395
Purchased services	1,180,564	919,974	100,384	2,200,922
Advertising and recruitment	-	-	5,979	5,979
Food services	8,823	-	-	8,823
Student transportation	1,455,089	-	-	1,455,089
Curriculum materials and supplies	530,485	567	-	531,052
Uniforms	65,199	-	-	65,199
Computer supplies	115,770	53,514	-	169,284
Office supplies	13,433	135,700	3,975	153,108
Utilities	1,085,528	(12,026)	2,818	1,076,320
Repairs and maintenance	4,727,757	41,658	16,628	4,786,043
Travel	460	6,266	7,314	14,040
Charter fee	-	246,144	-	246,144
Insurance	-	1,181	-	1,181
Depreciation and amortization	519,960	27,366	-	547,326
Miscellaneous	-	-	24,063	24,063
Contributions	-	1,371	-	1,371
Special events	-	703	-	703
Occupancy	-	73,243	-	73,243
Interest and fiscal charges	726,514	38,238	-	764,752
Total expenses	\$ 21,139,694	\$ 1,742,208	\$ 409,006	\$ 23,290,909

See accompanying notes to financial statements.

Milwaukee Science Educational Consortium, Inc.

Statements of Functional Expenses (Continued)

Year Ended June 30, 2022

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 7,111,263	\$ 147,274	\$ 226,784	\$ 7,485,321
Payroll taxes	457,732	65,802	-	523,534
Employee benefits	1,012,222	123,940	38,174	1,174,336
Purchased services	424,560	780,164	162,634	1,367,358
Advertising and recruitment	225	175	26,130	26,530
Food services	117,049	-	-	117,049
Student transportation	1,335,751	-	-	1,335,751
Curriculum materials and supplies	403,201	549	-	403,750
Uniforms	150,785	-	-	150,785
Computer supplies	77,257	125,382	-	202,639
Office supplies	66,813	161,005	29,594	257,412
Telephone and communications	56,157	-	-	56,157
Utilities	410,492	37,623	28,802	476,917
Repairs and maintenance	1,348,074	305,251	77,480	1,730,805
Travel	-	42,224	11,133	53,357
Charter fee	-	33,131	-	33,131
Insurance	-	4,103	-	4,103
Depreciation and amortization	372,134	40,254	-	412,388
Miscellaneous	75,727	-	32,719	108,446
Contributions	-	5,142	-	5,142
Special Events	-	330	-	330
Occupancy	-	39,478	-	39,478
Interest and fiscal charges	698,904	36,784	-	735,688
Total expenses	\$ 14,118,346	\$ 1,948,611	\$ 633,450	\$ 16,700,407

See accompanying notes to financial statements.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

The School has entered into a charter school contract with the City of Milwaukee (the "City"). The contract is for a five year period, expiring in June 2028. The City can terminate the contract with the School if the City finds that the School (a) violated the terms of the contract, (b) pupils failed to make sufficient progress towards attaining the state's educational goals and expectations, (c) failed to comply with generally accepted accounting standards of fiscal management, or (d) violated the charter school law.

Accounting Pronouncement Adopted

ASU No. 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The School adopted this guidance for the year ended June 30, 2023 with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment. The School has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the School accounted for its existing operating leases as operating leases, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the School did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the School did not recognize a ROU asset or and lease liability as of July 1, 2022.

Basis of Presentation

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

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

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

Cash and Cash Equivalents

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

Promises to Give

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

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge. The discount rate used for the years ended June 30, 2023 and 2022 were 3.85% and 2.72%, respectively.

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

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

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

Reserve Funds - Restricted

Reserve Funds - Restricted on the statements of financial position consists of five separate funds. The debt service fund holds funds to pay for the bond's expenses, the principal fund holds funds to pay the bond's annual principal payment, the repair fund is a fund where the School is required to keep 2% of budgeted operating expenses for emergency expenses to be used to maintain the building, the interest fund is used to pay the bonds interest expense, and the escrow fund which consists of proceeds from the 2023A Redevelopment Education Refunding Revenue Bonds held for the purpose of payment of the Series 2013A Redevelopment Education Refunding Revenue Bonds (see Note 6). The School is able to access the funds of the debt service, principal and interest funds to be used for their restricted purpose. The School must get the permission of the bond holder in order to access the repair fund and escrow fund. The funds are invested in money market funds.

Property and Equipment

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

Debt Issuance Costs and Bond Issuance Discounts

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

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

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

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

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

Revenue Recognition

The School recognizes revenue from the following sources:

Contributions

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

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

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

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

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

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

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

Government Grants

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

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

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

Charter School Membership Program

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

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Tuition vouchers received by the School under the Membership Program are subject to potential refund to DPI should the School fail to adhere to certain program requirements including the incurrence of eligible educational costs. At June 30, 2023 and 2022, management has determined that no amounts are anticipated to be refunded to DPI and accordingly, no liability for refunds has been recorded by the School.

Federal and State Child Nutrition Cluster Grants

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

Elementary and Secondary Emergency Education Relief Fund (ESSER)

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") included Elementary and Secondary Emergency Education Relief Fund (ESSER) funds to local educational agencies ("LEAs") in Wisconsin. These funds provide emergency financial assistance to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. This funding supports what is known as "equitable participation." The School received services and benefits from the LEA through ESSER for \$1,588,066 and \$765,549 for the years ended June 30, 2023 and 2022, respectively. The revenues associated with this program are reflected in the statement of activities in federal grant revenue.

Governor's Emergency Education Relief (GEER) Grant Program

The Governor's Emergency Education Relief ("GEER") Grant Program, which was part of the CARES Act, provides funds to help LEAs respond to changes in student needs due to COVID-19. The CARES Act required DPI to determine which LEAs were most impacted by COVID-19, and only those LEAs determined to be most impacted are eligible for the funds. Equitable participation for private school students applies to GEER grant funds. The School received services and benefits from the LEA through ESSER for \$36,657 and \$106,758 for the years ended June 30, 2023 and 2022, respectively. The revenues associated with this program are reflected in the statement of activities in federal grant revenue.

Insurance Proceeds

The School recognizes approved insurance claims, up to the amount of expenses incurred for a claim in the fiscal year. Any proceeds in excess of expenses on insurance claims are recognized at the closeout of the claim.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was \$5,979 and \$26,530 for the years ended June 30, 2023 and 2022, respectively.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Classification of Expenses

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

Fair Value Measurements

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

Income Taxes

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

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

Subsequent Events

The School has evaluated events through December 15, 2023, which is the date the financial statements were available to be issued.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 2: Promises to Give

Promises to give as of June 30, 2023 and 2022 are due as follows:

	2023	2022
Receivable Within One Year	\$ 113,737	\$ 276,976
Receivable in One to Two Years	440,000	660,000
Totals	553,737	936,976
Less: Discount to Net Present Value	(62,585)	(62,585)
Less: Allowance on promises to give	(43,737)	(19,674)
Totals	\$ 447,415	\$ 854,717

Note 3: Fair Value Measurements

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

- Money market funds are measured using \$1 as the net asset value ("NAV").
- U.S. Treasury bonds and notes are valued using quotes from pricing vendor based on recent trading activity and other observable market data.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at June 30, 2023 and 2022:

	Fair Value of Assets as of June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 947,418	\$ -	\$ 947,418
U.S. Treasury bonds and notes	10,341,780	-	-	10,341,780
Total investments	\$ 10,341,780	\$ 947,418	\$ -	\$ 11,289,198

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

	Fair Value of Assets as of June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 1,756,478	\$ -	\$ 1,756,478

Note 4: Investments

Investments at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Money market funds	\$ 947,418	\$ 1,756,478
U.S. Treasury bonds and notes	10,341,780	-
Total	\$ 11,289,198	\$ 1,756,478

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

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2023 and 2022:

<i>June 30,</i>	2023	2022
Land and land improvements	\$ 300,000	\$ 300,000
Buildings and building improvements	18,746,572	17,214,652
Fixed equipment	557,499	557,499
Total property and equipment	19,604,071	18,072,151
Less - Accumulated depreciation	(6,023,791)	(5,476,465)
Property and equipment - Net	\$ 13,580,280	\$ 12,595,686

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 6: Bonds and Notes Payable

Redevelopment Education Refunding Revenue Bonds, Series 2013A

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

On June 1, 2023, the School entered into a promissory note with the Wisconsin Health and Educational Facilities Authority for the principal amount of the Series 2023A Redevelopment Education Refunding Revenue Bonds ("2023A Revenue Bonds") issued by Wisconsin Health and Educational Facilities Authority. Trustee of the 2023A Revenue Bonds are the same as the 2013A Revenue Bonds. Proceeds from this note are to be used to payoff the IFF note, with the remaining proceeds to be held in escrow at June 30, 2023. These funds were used to payoff the 2013A Revenue Bonds in August of 2023.

The total principal amount of the Series 2013A Redevelopment Education Refunding Revenue Bonds promissory note outstanding was \$10,090,000 and \$10,305,000 as of June 30, 2023 and 2022, respectively. The interest rates on the bonds range from 4.50% to 6.25%, depending on the length of the time to maturity for each series of bonds, with interest-only payments due semi-annually. The 2013A Revenue Bonds were paid off in full in August 2023, subsequent to year-end, through refinancing of the bonds during the the year ended June 30, 2023, and are classified as short-term on the statement of financial position.

The total principal amount of the Series 2023A Redevelopment Education Refunding Revenue Bonds promissory note outstanding was \$11,985,000 and \$0 as of June 30, 2023 and 2022, respectively. The interest rates on the bonds range from 4.50% to 5.00%, depending on the length of the time to maturity for each series of bonds, with interest-only payments due semi-annually starting March 15, 2024. Installments are due starting March 15, 2025, with principal maturing in varying annual amounts through March 15, 2053.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 6: Bonds and Notes Payable (Continued)

Required Payments of Principal

Future principal payments on the 2023A Revenue Bonds at June 30, 2023, are as follows:

	Revenue Bonds 2023A	Revenue Bonds 2013A	Total
2024	\$ -	\$ 10,090,000	\$ 10,090,000
2025	205,000	-	205,000
2026	215,000	-	215,000
2027	220,000	-	220,000
2028	230,000	-	230,000
Thereafter	11,115,000	-	11,115,000
Total	\$ 11,985,000	\$ 10,090,000	\$ 22,075,000

Cost incurred in issuing the revenue bonds are being amortized using the straight-line method over the life of the related debt, which is approximately 30 years. Amortization expense related to this debt was \$31,836 for 2023 and 2022, respectively.

IFF Promissory Note

In July 2021, the School acquired new debt in the form of a promissory note due to IFF, an Illinois not for profit corporation, in order to finance the renovation cost of an athletic facility. The maximum principal amount the School can receive from IFF is \$3,500,000.

The total principal amount disbursed to the School was \$0 and \$1,953,249 as of June 30, 2023 and 2022. The IFF loan was paid off in full during the year ended June 30, 2023 with proceeds from the 2023A Revenue Bonds.

Cost incurred in issuing the mortgage note payable are being amortized using the straight-line method over the life of the related debt, which is approximately 15 years. Amortization expense related to this debt was \$18,151 for the year ended June 30, 2023. The remaining unamortized debt issuance costs related to the IFF loan were expensed in full at the time the IFF loan was paid off and are recorded as loss on refinance on the statement of activities.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 6: Bonds and Notes Payable (Continued)

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

	2023	2022
\$11,010,000 Redevelopment Education Refunding Revenue Bonds, Series 2013A, secured by a mortgage on real estate and an assignment of revenues, due in annual installments of \$125,000 to \$895,000 from August 1, 2018 through August 1, 2043, interest of 4.75% to 6.25%	\$ 10,090,000	\$ 10,305,000
\$11,985,000 Redevelopment Education Refunding Revenue Bonds, Series 2023A, secured by a mortgage on real estate and an assignment of revenues, due in annual installments of \$205,000 to \$745,000 from March 15, 2025 through March 15, 2054, with interest only installments beginning March 15, 2024, interest of 4.50% to 5.00%	11,985,000	-
\$3,500,000 note payable to IFF, secured by Mortgage, due in monthly installments of \$28,136 through October 2037, interest 5.25%	-	1,953,249
Total notes payable	22,075,000	12,258,249
Less - Unamortized debt issuance costs	(762,045)	(548,677)
Less - Bond issuance discounts	(309,107)	-
Less - Current portion	(10,310,000)	(215,000)
Notes payable, net of current portion	\$ 10,693,848	\$ 11,494,572

Accumulated amortization on debt financing costs are \$308,646 and \$294,961 for the years ended June 30, 2023 and 2022, respectively. Accumulated amortization on bond issuance discounts are \$0 for the years ended June 30, 2023 and 2022.

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

Note 7: Line of Credit

The School maintained a line of credit with BMO Harris Bank N.A. in the amount of \$250,000 with an interest rate equal to one month LIBOR plus 4.00 percentage points. The effective rate at June 30, 2023 and 2022, was 9.18% and 5.45%, respectively. The line of credit has no maturity date.

The School has made no draws from the line of credit for the years ended June 30, 2023 and 2022.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 8: Liquidity and Availability of Financial Resources

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

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

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

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

	2023	2022
Cash and Cash Equivalents	\$ 4,225,806	\$ 6,301,715
Accounts receivable	15,081	11,718
Grants receivable	2,045,996	795,902
Promises to give, current portion	113,737	276,976
Less: Net assets with donor restrictions subject to purpose restriction	(237,704)	(35,050)
Total current assets available for general expenditure	\$ 6,162,916	\$ 7,351,261

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions

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

<i>June 30,</i>	2023	2022
Subject to the Passage of Time:		
Promises to give	\$ 447,415	\$ 854,717
Subject to Purpose Restrictions:		
Food Service Program	237,704	-
Arts Program	-	31,000
Environment Education	-	4,050
Total Net Assets with Donor Restrictions	\$ 685,119	\$ 889,767

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Expiration of Time Restrictions:		
Pledges receivable	\$ 433,239	\$ 510,136
Satisfaction of Purpose Restrictions:		
Food Service Program	-	325,594
Expansion	-	752,217
Summer School	-	10,000
High School Computers - Science	-	10,000
Scholarship	-	500
Arts Program	31,000	-
Environment Education	4,050	-
Total Net Assets Released from Donor Restrictions	\$ 468,289	\$ 1,608,447

Note 10: Accounts Receivable and Contract Balances

Contract assets arise when the School transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the School is able to invoice the customer. As of June 30, 2023 and 2022, and as of July 1, 2021, the School did not have any contract assets. Contract liabilities represent the School's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as tuition deposits and deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 10: Accounts Receivable and Contract Balances (Continued)

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

	6/30/2023	6/30/2022	6/30/2021
Accounts Receivable	\$ 15,081	\$ 11,718	\$ 10,037
Contract liabilities - Deferred revenue	\$ 10,765	\$ 6,915	\$ 44,235

Note 11: Disaggregation of Revenues from Contracts with Customers

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

For the years ending June 30,	2023	2022
Revenues recognized at a point in time		
Uniform sales	\$ 37,318	\$ 37,519
Revenues recognized over time		
Charter School membership program revenue	12,390,250	11,905,867
Total revenues from contracts with customers	\$ 12,427,568	\$ 11,943,386

Note 12: Concentrations of Risk

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

State revenue from the Charter School Program, a main source of revenue for the School, accounts for 73% and 85% of total support and revenue for the years ended June 30, 2023 and 2022, respectively.

Note 13: Employee Benefits

The Organization has a qualified 403(b) Plan for its employees. The Organization matches 2% of employee contributions to the plan. The Organization made contributions totaling \$8,238 and \$9,965 for the years ended June 30, 2023 and 2022, respectively.

Milwaukee Science Education Consortium, Inc.

Notes to Financial Statements

Note 14: Related Parties

A board member of Milwaukee Science Education Consortium, Inc. is also an officer of Associates Building Maintenance, who provides buildings and grounds maintenance services to the School. The School paid \$950,204 and \$665,168 to Associates Building Maintenance, for maintenance services, during the years ended June 30, 2023 and 2022, respectively.

Supplementary Information

Milwaukee Science Educational Consortium, Inc.

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2023

Federal Grantor/State Grantor/Cluster Title	Identifying Number	Pass-Through Grantor	Pass-Through No.	Expenditures
FEDERAL EXPENDITURES:				
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Wisconsin Dept. of Public Instruction	408106	\$ 418,574
National School Lunch Program (cash assistance)	10.555	Wisconsin Dept. of Public Instruction	408106	742,618
National School Lunch Program (non-cash assistance - Commodities)	10.555	Wisconsin Dept. of Public Instruction	408106	(1,838)
Total Child Nutrition Cluster				1,159,354
Fresh Fruit and Vegetable Program	10.582	Wisconsin Dept. of Public Instruction	408106	23,615
Total U.S. Department of Agriculture				1,182,969
U.S. Department of Education:				
Title I Grants to Local Education Agencies	84.010	Wisconsin Dept. of Public Instruction	408106	909,992
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	Wisconsin Dept. of Public Instruction	408106	222,319
Special Education Preschool Grants	84.173	Wisconsin Dept. of Public Instruction	408106	5,420
Total Special Education Cluster (IDEA)				227,739
Wisconsin Charter Schools Program	84.282	Wisconsin Dept. of Public Instruction	408106	95,065
Improving Teacher Quality State Grants	84.367	Wisconsin Dept. of Public Instruction	408106	51,804
Student Support and Academic Enrichment Grants	84.424	Wisconsin Dept. of Public Instruction	408106	53,224
COVID-19 Education Stabilization Funds	84.425	Wisconsin Dept. of Public Instruction	408106	1,624,723
Coordinated Early Intervening Services	n/a	n/a	n/a	23,246
Total U.S. Department of Education				2,985,793
TOTAL FEDERAL EXPENDITURES				\$ 4,168,762

Milwaukee Science Educational Consortium, Inc.

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2023

Federal Grantor/State Grantor/Cluster Title	Identifying Number	Pass-Through Grantor	Pass-Through No.	Expenditures
STATE EXPENDITURES:				
Wisconsin Department of Public Instruction:				
Special Education and School Age Parents	255.101	Direct	408106-100	\$ 34,760
State School Lunch Aid	255.102	Direct	408106-107	6,515
General Transportation Aid	255.107	Direct	408106-102	11,177
State Charter Schools Aid	255.109	Direct	408106-115	12,390,250
Educator Effective Evaluation System	255.940	Direct	408106-154	5,760
Assessments of Reading Readiness	255.956	Direct	408106-166	30,200
Total Wisconsin Department of Public Instruction				12,478,662
TOTAL STATE EXPENDITURES				\$ 12,478,662

See independent auditor's report.

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

Milwaukee Science Education Consortium, Inc.

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2023

Note 1: General

The accompanying schedule of expenditures of federal and state awards (“schedule”) includes the federal and state grant activity of Milwaukee Science Educational Consortium, Inc. under programs of the federal and state governments for the year ended June 30, 2023. The information in his schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Wisconsin *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Milwaukee Science Educational Consortium, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Milwaukee Science Educational Consortium, Inc.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Sub-recipients

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

Note 4: Indirect Cost

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Milwaukee Science Education Consortium, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, cash flows, and functional expenses, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Milwaukee, Wisconsin

December 15, 2023

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Milwaukee Science Educational Consortium, Inc.'s compliance with the types of compliance with the types compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of Milwaukee Science Educational Consortium, Inc.'s major federal and state programs for the year ended June 30, 2023. Milwaukee Science Educational Consortium, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Milwaukee Science Education Consortium, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State 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 *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 and State Single Audit Guidelines*, issued by the Wisconsin Department of Administration (SSAG). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance requirements referred to above.

We are required to be independent of Milwaukee Science Educational Consortium, Inc. and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Milwaukee Science Educational Consortium, 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 of grant agreements applicable for Milwaukee Science Educational Consortium, Inc.'s federal and state 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 Milwaukee Science Educational Consortium, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but it 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 requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgments made by a reasonable user of this report on compliance about Milwaukee Science Educational Consortium, Inc.'s compliance with the requirement of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, SSAG 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 Milwaukee Science Educational Consortium, 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 Milwaukee Science Educational Consortium, 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 and SSAG, but not for the purposes of expressing an opinion on the effectiveness of Milwaukee Science Educational Consortium, 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 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.

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 over compliance 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.



Wipfli LLP
Milwaukee, Wisconsin

December 15, 2023

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? ___ yes x no

 Significant deficiency(ies) identified? ___ yes x no

Noncompliance material to financial statements noted? ___ yes x no

Federal and State Awards

Internal control over major programs:

 Material weakness(es) identified? ___ yes x no

 Significant deficiency(ies) identified? ___ yes x no

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

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

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

Identification of major federal programs:

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

Identification of major state programs:

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

Dollar threshold used to distinguish between Type A programs:

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

Auditee qualified as low-risk auditee? Yes

Milwaukee Science Education Consortium, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section V - Prior-Year Findings

None

Section VI - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

yes no

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

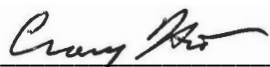
Department of Public Instruction

yes no

Was a management letter or other document conveying audit comments issued as a result of this audit?

yes no

Name and Signature of Partner



Craig Hirt, CPA

Report Date

December 15, 2023