

**ONE CITY SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

June 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
One City Schools, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of One City Schools, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One City Schools, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and schedule of revenue and expenses by category, as required by *Wisconsin Department of Public Instruction*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of One City Schools, Inc.'s internal control over financial reporting and on our tests of 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 One City Schools, 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 One City Schools, Inc.'s internal control over financial reporting and compliance.

### **Adoption of New Accounting Pronouncement**

As discussed in Note 1 to the financial statements, One City Schools, Inc. adopted the Financial Accounting and Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 8, 2019

**ONE CITY SCHOOLS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 and 2018

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 37,975	\$ 195,494
Unconditional promises to give	337,733	129,383
Accounts receivable, net	15,053	12,817
Prepaid expenses	7,058	7,206
Other receivables	<u>10,391</u>	<u>-</u>
Total current assets	408,210	344,900
<b>NONCURRENT ASSETS</b>		
Unconditional promises to give	-	52,500
Property and equipment, net	<u>1,456,140</u>	<u>1,360,937</u>
Total noncurrent assets	<u>1,456,140</u>	<u>1,413,437</u>
<b>Total assets</b>	<u><u>\$ 1,864,350</u></u>	<u><u>\$ 1,758,337</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	80,757	56,850
Deferred revenue	10,282	-
Accrued payroll	32,801	15,241
Line of credit	116,000	-
Current portion of notes payable	<u>23,023</u>	<u>290,000</u>
Total current liabilities	262,863	362,091
<b>NONCURRENT LIABILITIES</b>		
Notes payable	<u>623,873</u>	<u>408,069</u>
Total liabilities	886,736	770,160
<b>NET ASSETS</b>		
Without donor restrictions	639,881	535,106
With donor restrictions	<u>337,733</u>	<u>453,071</u>
Total net assets	<u>977,614</u>	<u>988,177</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,864,350</u></u>	<u><u>\$ 1,758,337</u></u>

See accompanying notes.

**ONE CITY SCHOOLS, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
REVENUES		
Contributions	\$ 1,222,594	468,810
Tuition and fees, net	216,822	402,631
Grants	715,722	-
In-kind contributions	3,000	1,100
Miscellaneous	-	3,111
Total revenues without donor restrictions	2,158,138	875,652
EXPENSES		
Junior preschool	617,703	721,306
Senior preschool	1,161,541	-
Management and general	420,938	295,554
Fundraising	292,988	128,346
Total expenses	2,493,170	1,145,206
Write-off uncollectible and doubtful accounts	-	(52,420)
Net assets released from restrictions	439,807	241,735
<b>Change in net assets without donor restrictions</b>	104,775	(80,239)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	324,469	453,294
Net assets released from restrictions	(439,807)	(241,735)
<b>Change in net assets with donor restrictions</b>	(115,338)	211,559
<b>Change in net assets</b>	(10,563)	131,320
Net assets at beginning of year	988,177	856,857
<b>Net assets at end of year</b>	<b>\$ 977,614</b>	<b>\$ 988,177</b>

See accompanying notes.

**ONE CITY SCHOOLS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2019 and 2018

	Junior Preschool	Senior Preschool	Management and General	Fundraising	Total
Contract services	\$ 16,186	\$ 27,950	\$ 127,103	\$ 4,510	\$ 175,749
Facilities and equipment	32,894	59,585	19,449	18,177	130,105
Office	12,261	22,209	7,250	6,775	48,495
General	16,304	29,532	9,640	22,878	78,354
Personnel	408,576	740,098	241,577	225,772	1,616,023
Staff and board	10,027	18,163	5,928	5,541	39,659
Kitchen and food service	31,732	24,952	-	-	56,684
Direct student costs	65,454	198,857	-	-	264,311
Special events	5,029	5,343	-	-	10,372
Depreciation	19,240	34,852	9,991	9,335	73,418
Total expenses - 2019	<u>\$ 617,703</u>	<u>\$ 1,161,541</u>	<u>\$ 420,938</u>	<u>\$ 292,988</u>	<u>\$ 2,493,170</u>
		Junior Preschool	Management and General	Fundraising	Total
Contract services		\$ 13,851	\$ 140,793	\$ 2,974	\$ 157,618
Facilities and equipment		46,942	14,015	13,582	74,539
Office		20,423	6,113	5,924	32,460
General		36,453	22,032	11,911	70,396
Personnel		474,230	94,197	76,118	644,545
Staff and board		36,959	11,062	10,721	58,742
Kitchen and food service		14,958	-	-	14,958
Direct student costs		38,692	-	-	38,692
Special events		6,758	-	-	6,758
Depreciation		32,040	7,342	7,116	46,498
Total expenses - 2018		<u>\$ 721,306</u>	<u>\$ 295,554</u>	<u>\$ 128,346</u>	<u>\$ 1,145,206</u>

See accompanying notes.

**ONE CITY SCHOOLS, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (10,563)	\$ 131,320
Adjustments to reconcile change in net assets to net change in cash		
Allowance for doubtful accounts	21,839	27,914
Depreciation	73,418	46,498
(Increase) decrease in assets		
Unconditional promises to give	(155,850)	10,923
Accounts receivable	(24,075)	(40,134)
Prepaid expenses	148	1,998
Other receivables	(10,391)	
Increase (decrease) in liabilities		
Accounts payable	23,907	21,725
Accrued payroll	17,560	3,736
Deferred revenue	10,282	-
Net cash flows from operating activities	(53,725)	203,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	(168,621)	(27,060)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on construction payable	-	(41,352)
Payments on line of credit	(94,000)	-
Draws on line of credit	210,000	-
Payments on long-term debt	(786,125)	-
Proceeds of long-term debt	724,107	-
Interest expense added to capital lease obligation	10,845	22,103
Net cash flows from financing activities	64,827	(19,249)
<b>Net change in cash</b>	(157,519)	157,671
Cash at beginning of year	195,494	37,823
<b>Cash at end of year</b>	<u>\$ 37,975</u>	<u>\$ 195,494</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest net of the amount capitalized	\$ 36,004	\$ 16,352
Noncash investing and financing transactions		
Construction payable included in capital lease obligation	-	365,000
Accrued interest included in capital lease obligation	-	22,103

See accompanying notes.



**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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One City Schools, Inc. (One City) (previously One City Early Learning Centers, Inc.) prepares young children from birth to age 5 in the Madison, Wisconsin area for success in school and life. One City's support and revenue is primarily from contributions and tuition.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Receivables**

Receivables, including tuition and other receivables, are stated at face value, net of the allowance for doubtful accounts. One City does not charge finance charges on past due receivables. The allowance for doubtful accounts is maintained at a level that is management's best estimate of probable uncollectible tuition and bad debts incurred as of the statement of financial position date. Management's determination of the adequacy of the allowances is based on an evaluation of the receivables, past collection experience, current economic conditions, volume, growth and composition of the receivables, and other relevant factors. The allowance is increased by provisions for uncollectible tuition and receivables charged against income. The allowance for doubtful accounts at June 30, 2019 and 2018 is \$21,839 and \$27,914.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. One City considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Furniture and equipment with a value of over \$5,000 is capitalized and depreciated using the straight-line method over an estimated useful life relative to the piece of property or equipment. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Donated Materials, Facilities and Services**

Donated materials and facilities are recorded at their estimated fair values in the period received. One City reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, One City reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions 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 One City.

**Expense Allocation**

The financial statements report certain categories of expense that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: contract services, facilities and equipment, office expense, general expense, personnel, staff and board expenses, and depreciation, which are allocated on the basis of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

*Junior Preschool*

Preschool and daycare services for children age 12 months to 3 years old.

*Senior Preschool*

Charter School services for children currently entering 4k, kindergarten, or first grade.

*Management and General*

Management and general activities relate to the overall direction of One City and include activities of the board of directors, business management, finance, and general recordkeeping.

*Fundraising*

Fundraising activities include soliciting contributions from individuals, foundations, and others.

**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

One City is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the prior year amounts to conform with the current year presentation.

**Adoption of New Accounting Pronouncement**

One City adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expense and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Date of Management's Review**

Management has evaluated subsequent events through November 8, 2019, the date which the financial statements were available to be issued.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 337,733	\$ 129,383
Receivable in one to five years	<u>-</u>	<u>52,500</u>
Unconditional promises to give	<u>\$ 337,733</u>	<u>\$ 181,883</u>

**ONE CITY SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Facility construction	\$ 1,164,776	\$ 1,164,776
Land and building	260,790	224,815
Furniture and equipment	172,308	54,855
Capitalized finance costs	15,193	-
Less accumulated depreciation	<u>(156,927)</u>	<u>(83,509)</u>
Property and equipment, net	<u>\$ 1,456,140</u>	<u>\$ 1,360,937</u>

Interest capitalized during the years ended June 30, 2019 and 2018 was \$15,193 and \$20,452.

**NOTE 4 – NET ASSETS**

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 20,764	\$ 31,952
Charter School start-up	-	250,000
Time	<u>316,969</u>	<u>171,119</u>
Net assets with donor restrictions	<u>\$ 337,733</u>	<u>\$ 453,071</u>

**NOTE 5 – FACILITY AGREEMENTS**

One City entered into a lease-to-purchase agreement with FCI Community Impact, LLC on February 27, 2015, in which One City would pay no calculated rent from the inception of the agreement through December 31, 2015. The lease-to-purchase agreement was subsequently amended on June 14, 2016 to extend the arrangement for One City to pay no calculated rent through the purchase date and for FCI Community Impact, LLC to treat any expenditures incurred on behalf of One City as principal advances, subject to interest at 6%.

**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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NOTE 5 – FACILITY AGREEMENTS (continued)

At June 30, 2018, One City recorded a building purchase obligation of \$212,372 and a facility construction obligation of \$195,697, all of which was capitalized.

On September 29, 2016, One City entered into a \$365,000 leasehold mortgage with Forward Community Investments, Inc. with a fixed interest rate of 5.5% to repay FCI Community Impact, LLC. The leasehold mortgage required monthly payments of interest starting October 31, 2016, plus a final payment of the unpaid principal and interest on December 31, 2018. The leasehold mortgage balance at June 30, 2018 was \$290,000.

On December 20, 2018, One City refinanced its facility agreements with FCI to obtain title of the building. The total amount refinanced, \$724,095, was reduced by grants totaling \$75,000 and an agency promissory note with the City of Madison CDBG totaling \$300,000. One City entered into a business note with FCI to repay the remaining \$349,095. The business note has a fixed interest rate of 6% with 12 payments of \$2,093 through July 2020, plus a final payment of the unpaid principal and interest due August 20, 2020. The balance at June 30, 2019 was \$346,896.

On December 20, 2018, One City entered into a \$300,000 agency promissory note with the City of Madison CDBG, as described above. The agency promissory note does not have a stated interest rate. Repayment of the greater of (i) the sum of \$300,000 or (ii) an amount equal to 30.61% of the current fair market value of One City's building is required immediately upon the earliest of the sale, transfer, or change or discontinuance in the permitted use of One City's building, provided such sale, transfer, change or discontinuance occurs on or after five years. The balance at June 30, 2019 was \$300,000.

NOTE 6 – DONATED MATERIALS AND SERVICES

At June 30, 2019, One City received donated accounting services in the amount of \$3,000, which were classified as management and general expenses.

At June 30, 2018, One City received donated accounting services in the amount of \$500, which were classified as management and general expenses and donated supplies in the amount of \$600 which were classified as program expenses.

NOTE 7 – RELATED PARTY

One City receives various contributions and promises to give from board members. At June 30, 2019 and 2018, One City received \$66,450 and \$60,493 in contributions from board members. At June 30, 2018, One City had \$35,899 in promises to give from board members.

**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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NOTE 8 – LINE OF CREDIT

One City has a \$100,000 line of credit through Summit Credit Union which matures on September 15, 2019. The line of credit has a variable interest rate based on the Prime Rate, as listed in The Wall Street Journal's "money Rates" section of the Midwest Edition. At June 30, 2019, One City did not have a balance on this line of credit. As of November 8, 2019, the line of credit was in the process of being renewed.

One City has a \$210,000 line of credit through Summit Credit Union which matures on September 15, 2019. The line of credit has a variable interest rate based on the Prime Rate, as listed in The Wall Street Journal's "money Rates" section of the Midwest Edition. One City had a balance of \$116,000 at June 30, 2019. As of November 8, 2019, the line of credit was in the process of being renewed.

One City obtained a \$100,000 line of credit through Summit Credit Union obtained on August 7, 2019 and matures on August 15, 2020. The line of credit has a variable interest rate based on the Prime Rate, as listed in The Wall Street Journal's "money Rates" section of the Midwest Edition.

NOTE 9 – SIGNIFICANT CONCENTRATIONS

One City receives approximately 30% of its revenue from Wisconsin Department of Public Instruction.

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following table reflects One City's financial assets as of June 30, 2019, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-imposed restrictions.

Financial assets at year-end	\$ 401,152
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	(20,764)
Restricted by donor with time restrictions	<u>(316,969)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 63,419</u></u>

Financial assets at year-end consist of cash, unconditional promises to give, net accounts receivable, and other receivables. As part of One City's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due.

**ONE CITY SCHOOLS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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NOTE 11 –ENDOWMENT FUND

An endowment fund was established by a donor with One City named as the specified beneficiary. This fund is held and managed by the Madison Community Foundation (MCF) and is a component fund of MCF. Since MCF has variance power, it is not included in One City's financial statements. Any distributions from the endowment fund are recorded as contribution revenue in One City's financial statements. One City did not receive distribution in the year ended June 30, 2019. The endowment fund has a fair value of \$16,221 and \$15,149 as of June 30, 2019 and 2018.

NOTE 12 – SUBSEQUENT EVENT

On August 1, 2019, One City entered into an operating lease for temporary space requiring rent of \$48,000 per year through July 31, 2020.

On October 14, 2019, One City received a grant in the amount of \$5,000,000 which will be paid out over three fiscal years. \$500,000 is to be used for start-up costs for a capital campaign and the remaining \$4,500,000 is for general operating expenditures.

ONE CITY SCHOOLS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identifying Number	Accrued or (Deferred) Revenue at 7/1/18	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/19
<b>U.S. Department of Agriculture</b>						
Pass-through Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
School Breakfast Program	10.553	2019-138142-SB-546	\$ -	\$ 10,224	\$ 12,754	\$ 2,530
National School Lunch Program -Donated Commodities	10.555	2019-138142	-	-	-	-
National School Lunch Program	10.555	2019-138142-NSL-547	-	19,281	24,480	5,199
National School Lunch Program Area Eligible Snack Program	10.555	2019-518110-NSLAE-566	-	7,068	9,011	1,943
<b>Total U.S. Department of Agriculture</b>			-	36,573	46,245	9,672
<b>U.S. Department of Education</b>						
Pass-through Wisconsin Department of Public Instruction						
Special Education Cluster						
Special Education Grants to States - IDEA Flow Through Entitlement	84.027	2019-138142-IDEA-FT-341	-	-	8,346	8,346
<b>Total U.S. Department of Education</b>			-	-	8,346	8,346
<b>Total Federal Awards</b>			<b>\$ -</b>	<b>\$ 36,573</b>	<b>\$ 54,591</b>	<b>\$ 18,018</b>

See accompanying notes to the Schedule of Federal and State Awards.



ONE CITY SCHOOLS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2019

State Grantor/ Program Title	State Identifying Number	State Pass Through Identifying Number	Accrued or (Deferred) Revenue at 7/1/18	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/19
<b>Wisconsin Department of Public Instruction</b>						
Charter Schools State Aid - 2x	255.289	138142	\$ -	\$ 403,369	\$ 403,369	\$ -
Assessments of Reading Readiness	255.956	138142-166	-	523	523	-
<b>Total Wisconsin Department of Public Instruction</b>			-	403,892	403,892	-
<b>Total State Programs</b>			\$ -	\$ 403,892	\$ 403,892	\$ -

See accompanying notes to the Schedule of Federal and State Awards.

**ONE CITY SCHOOLS, INC.**  
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS  
June 30, 2019

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NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of One City under programs of the federal and state governments for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Wisconsin Department of Public Instruction*. Because the Schedule presents only a selected portion of the operations of One City, it is not intended to and does not present the financial position or changes in net position of One City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

NOTE 3—INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$70,112 for the year ended June 30, 2019.

**ONE CITY SCHOOLS, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES**  
Year Ended June 30, 2019

	<u>Total</u>	<u>Per Pupil</u>		
<b>REVENUES</b>				
State Per Pupil Aid	\$ 403,369	\$ 6,506		
Federal Funds	46,768	754		
Grants	868,927	14,015		
Charter School	266,108	4,292		
Other Revenue	10,660	172		
	<u>1,595,832</u>	<u>25,739</u>		
Total Revenue	\$ 1,595,832	\$ 25,739		
<b>EXPENDITURES</b>				
Instruction	\$ 1,052,651	\$ 16,978		
Instructional Support	236,976	3,822		
Facilities	46,357	748		
Administration	159,418	2,571		
Other	11,653	188		
	<u>1,507,055</u>	<u>24,307</u>		
Total Expenditures	\$ 1,507,055	\$ 24,307		
<b>FEDERAL REVENUE</b>				
Other federal funds				
IDEA	8,346	135		
School Breakfast	12,754	206		
School Lunch	24,480	395		
Snack Program	9,011	145		
	<u>54,591</u>	<u>881</u>		
	\$ 54,591	\$ 881		
Total net assets	July 1, 2018 \$ -	June 30, 2019 \$ 88,777	Difference \$ 88,777	Total net assets <u>\$ 88,777</u>

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  
One City Schools, Inc.  
Madison, Wisconsin

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 One City Schools, Inc. (One City), which comprise the statement of financial position as of June 30, 2019, 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 November 8, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered One City's internal control over financial reporting (internal control) to determine the 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 One City's internal control. Accordingly, we do not express an opinion on the effectiveness of One City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether One City'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 determination of financial statement amounts. 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 did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.

### **One City Schools, Inc.'s Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 8, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

To the Board of Directors  
One City Schools, Inc.  
Madison, Wisconsin

### **Report on Compliance for The Major State Program**

We have audited the One City Schools, Inc.'s (One City) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on One City's major state program with limited required procedures for the year ended June 30, 2019. One City's major state program that has limited required procedures is identified in the accompanying summary of auditors' results.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the limited compliance requirements for One City's major state program based on our audit of the limited procedures required. 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 *Wisconsin Public School District Audit Manual*. An audit includes examining on a test basis, evidence about One City's compliance with those limited requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the limited compliance requirements for the major state program with limited required procedures. However, our audit does not provide a legal determination on the One City's compliance.

### **Opinion on The Major State Program**

In our opinion, One City complied, in all material respects, with the limited requirements referred to above for its major state program with limited required procedures for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of One City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered One City's internal control over compliance with the types of requirements that could have an effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the limited required compliance requirements for the major state program with limited required procedures and to test and report on internal control over compliance in accordance with *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of One City's internal control over compliance.

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

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

### **Purpose of this Report**

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 testing based on requirements of *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 8, 2019

**ONE CITY SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2019

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**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?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of state major programs:

State Identifying Number	Name of State Program
255.289	Charter Schools State Aid - 2x

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



**ONE CITY SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2019

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**Section II—Financial Statement Findings**

*Significant Deficiency*

Finding 2019-001

Criteria: Management is responsible for the design and implementation of internal controls such that management and other school employees, in the normal course of performing their assigned functions, are able to prevent, or detect and correct misstatements on a timely basis.

Condition: One City utilizes various information systems, such as ProCare, e-Tapestry, and QuickBooks, and has proper segregations of duties in place so the same individual is not entering information in multiple information systems. However, the information systems are not being reconciled with each other.

Effect: A misstatement of the financial statements could result from information being entered incorrectly and not caught by the reconciliation.

Cause: Procedures are not in place to ensure the information is being entered consistently between the information systems, making it difficult to reconcile.

Recommendation: We recommend that periodic reconciliations are performed, reconciling ProCare and e-Tapestry to QuickBooks. A reconciliation will verify that the information entered into each information system is accurate and consistent, so it can be relied upon and used for more effective and efficient reporting.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding and will consider implementing procedures to reconcile between the information systems.

**Section III—State Award Findings and Questioned Costs**

No matters noted.

**Section IV—Other Issues**

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

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Wisconsin Public School District Audit Manual*:

Department of Public Instruction No

**ONE CITY SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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

No

Name and signature of partner



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Scott R. Haumersen, CPA

Date of report

November 8, 2019