

ONE CITY SCHOOLS, INC.

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States 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 expenditures 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 December 9, 2021, 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 9, 2021

ONE CITY SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 1,456,234 | \$ 1,594,657 |
| Unconditional promises to give | 13,792,975 | 2,149,951 |
| Accounts receivable, net | 13,393 | 4,709 |
| Prepaid expenses | 100,061 | 22,203 |
| Other receivables | 34 | 836 |
| | <u>15,362,697</u> | <u>3,772,356</u> |
| NONCURRENT ASSETS | | |
| Unconditional promises to give, net | 1,645,541 | 1,187,338 |
| Property and equipment, net | 1,512,077 | 1,421,801 |
| | <u>3,157,618</u> | <u>2,609,139</u> |
| Total assets | <u>\$ 18,520,315</u> | <u>\$ 6,381,495</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 80,637 | \$ 64,771 |
| Deferred revenue | 33,346 | 23,139 |
| Accrued payroll | 98,025 | 75,498 |
| Paycheck Protection Program loan | 467,177 | 384,400 |
| Current portion of notes payable | 43,873 | 4,941 |
| | <u>723,058</u> | <u>552,749</u> |
| NONCURRENT LIABILITIES | | |
| Notes payable less current portion | 593,118 | 637,601 |
| | <u>1,316,176</u> | <u>1,190,350</u> |
| NET ASSETS | | |
| Without donor restrictions | 1,001,736 | 705,191 |
| With donor restrictions | 16,202,403 | 4,485,954 |
| | <u>17,204,139</u> | <u>5,191,145</u> |
| Total liabilities and net assets | <u>\$ 18,520,315</u> | <u>\$ 6,381,495</u> |

See accompanying notes.

ONE CITY SCHOOLS, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| REVENUES AND GAINS | | |
| Contributions | | |
| Contributions from the general public | \$ 664,927 | \$ 2,020,688 |
| In-kind contributions | 17,379 | - |
| Grants | 1,486,440 | 1,046,252 |
| Gain on Paycheck Protection Program forgiveness | 384,400 | - |
| Tuition and fees, net | 192,631 | 235,821 |
| Miscellaneous | 9,623 | 13,988 |
| | <u>2,755,400</u> | <u>3,316,749</u> |
| EXPENSES | | |
| Junior preschool | 727,379 | 899,793 |
| Senior preschool | 2,190,552 | 2,057,221 |
| Management and general | 1,360,485 | 610,836 |
| Fundraising | 567,637 | 460,685 |
| | <u>4,846,053</u> | <u>4,028,535</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | | |
| Satisfaction of program and time restrictions | <u>2,387,198</u> | <u>777,096</u> |
| Change in net assets without donor restrictions | 296,545 | 65,310 |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 14,103,647 | 4,925,317 |
| Net assets released from restrictions | <u>(2,387,198)</u> | <u>(777,096)</u> |
| Change in net assets with donor restrictions | <u>11,716,449</u> | <u>4,148,221</u> |
| Change in net assets | 12,012,994 | 4,213,531 |
| Net assets at beginning of year | <u>5,191,145</u> | <u>977,614</u> |
| Net assets at end of year | <u>\$ 17,204,139</u> | <u>\$ 5,191,145</u> |

See accompanying notes.

ONE CITY SCHOOLS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2021 and 2020

| | Junior Preschool | Senior Preschool | Management and General | Fundraising | 2021 Total |
|--|---------------------|---------------------|---------------------------|-------------------|---------------------|
| Contract services | \$ 54,757 | \$ 228,887 | \$ 93,352 | \$ 35,008 | \$ 412,004 |
| Facilities and equipment | 90,375 | 289,982 | 178,787 | 63,020 | 622,164 |
| Office | 17,158 | 49,569 | 32,555 | 12,209 | 111,491 |
| General | 73,794 | 78,112 | 65,747 | 19,239 | 236,892 |
| Personnel | 391,393 | 1,092,259 | 915,954 | 410,377 | 2,809,983 |
| Staff and board | 25,003 | 72,231 | 47,439 | 17,790 | 162,463 |
| Kitchen and food service | 17,794 | 90,299 | - | - | 108,093 |
| Direct student costs | 43,058 | 248,634 | - | - | 291,692 |
| Tuition discounts | 26,340 | - | - | - | 26,340 |
| Depreciation | 14,047 | 40,579 | 26,651 | 9,994 | 91,271 |
| Total | 753,719 | 2,190,552 | 1,360,485 | 567,637 | 4,872,393 |
| Less: tuition discounts included with tuition and fees in the statements of activities | (26,340) | - | - | - | (26,340) |
| Total expenses | \$ 727,379 | \$ 2,190,552 | \$ 1,360,485 | \$ 567,637 | \$ 4,846,053 |
| | Junior Preschool | Senior Preschool | Management and General | Fundraising | 2020 Total |
| Contract services | \$ 28,922 | \$ 50,119 | \$ 111,126 | \$ 35,647 | \$ 225,814 |
| Facilities and equipment | 34,871 | 541,044 | 44,221 | 21,410 | 641,546 |
| Office | 22,725 | 39,382 | 13,124 | 15,104 | 90,335 |
| General | 113,647 | 67,650 | 42,747 | 22,544 | 246,588 |
| Personnel | 609,421 | 1,056,088 | 384,256 | 351,932 | 2,401,697 |
| Staff and board | 6,609 | 11,453 | 4,191 | 3,816 | 26,069 |
| Kitchen and food service | 17,535 | 48,956 | - | - | 66,491 |
| Direct student costs | 28,646 | 210,501 | - | - | 239,147 |
| Tuition discounts | 44,826 | - | - | - | 44,826 |
| Special events | 13,889 | - | - | - | 13,889 |
| Depreciation | 23,528 | 32,028 | 11,171 | 10,232 | 76,959 |
| Total | 944,619 | 2,057,221 | 610,836 | 460,685 | 4,073,361 |
| Less: tuition discounts included with tuition and fees in the statements of activities | (44,826) | - | - | - | (44,826) |
| Total expenses | \$ 899,793 | \$ 2,057,221 | \$ 610,836 | \$ 460,685 | \$ 4,028,535 |

See accompanying notes.

ONE CITY SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 12,012,994 | \$ 4,213,531 |
| Adjustments to reconcile change in net assets to net change in cash | | |
| Allowance for doubtful accounts | 12,473 | 25,873 |
| Depreciation | 91,271 | 76,959 |
| Contributions restricted for long-term purposes | (14,002,817) | (1,157,658) |
| Forgiveness of Paycheck Protection Program loan | (384,400) | - |
| (Increase) decrease in assets | | |
| Unconditional promises to give | (12,101,227) | (2,999,556) |
| Accounts receivable | (21,157) | (15,529) |
| Prepaid expenses | (77,858) | (15,145) |
| Other receivables | 802 | 9,555 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 15,866 | (15,986) |
| Accrued payroll | 22,527 | 42,697 |
| Deferred revenue | 10,207 | 12,857 |
| Net cash flows from operating activities | (14,421,319) | 177,598 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of furniture and equipment | (181,547) | (42,620) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from contributions restricted for construction | 14,002,817 | 1,157,658 |
| Payments on line of credit | - | (313,000) |
| Draws on line of credit | - | 197,000 |
| Payments on notes payables | (90,521) | (4,354) |
| Proceeds of Paycheck Protection Program loan | 467,177 | 384,400 |
| Proceeds from notes payable | 84,970 | - |
| Net cash flows from financing activities | 14,464,443 | 1,421,704 |
| Net change in cash | (138,423) | 1,556,682 |
| Cash at beginning of year | 1,594,657 | 37,975 |
| Cash at end of year | \$ 1,456,234 | \$ 1,594,657 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest net of the amount capitalized | \$ 20,497 | \$ 24,612 |

See accompanying notes.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

One City Schools, Inc. (One City) 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, grants, and tuition.

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.

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, 2021 and 2020 is \$12,473 and \$25,873, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property 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.

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

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Government Grants

One City receives grants from government agencies and others that are conditioned upon One City incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by One City, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

Tuition and Fees

Revenue for tuition and fees is recognized at the point in time in which services have been performed. Such amounts earned, but not received, are reported as accounts receivable.

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, general, personnel, staff and board, and depreciation, which are allocated on the basis of estimates 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, 2021 and 2020

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.

Date of Management’s Review

Management has evaluated subsequent events through December 9, 2021, the date which the financial statements were available to be issued.

NOTE 2 –CONCENTRATIONS OF CREDIT RISK

One City maintains its cash balances in one financial institution located in Madison, Wisconsin. The balances are insured by the National Credit Union Administration up to \$250,000. At June 30, 2021 and 2020, One City’s uninsured cash balance totals approximately \$1,200,000 and \$1,340,000, respectively.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of the following:

| | 2021 | 2020 |
|---|---------------|--------------|
| Receivable in less than one year | \$ 13,792,975 | \$ 2,149,951 |
| Receivable in one to five years | 1,649,655 | 1,246,941 |
| Discount on promises to give (0.25% rate) | (4,114) | (59,603) |
| Unconditional promises to give, net | \$ 15,438,516 | \$ 3,337,289 |

NOTE 4 – CONDITIONAL PROMISES TO GIVE

One City has a grant that is conditioned upon One City incurring qualifying expenses under the grant program. At June 30, 2021 and 2020, the conditional grant totaled approximately \$1,753,000 and \$920,000, respectively. The conditional grant will be recognized as revenue when the conditions are met in future years.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2021 | 2020 |
|-------------------------------|--------------|--------------|
| Facility construction | \$ 1,164,776 | \$ 1,164,776 |
| Land and building | 266,575 | 266,575 |
| Furniture and equipment | 288,510 | 209,143 |
| Capitalized finance costs | 15,193 | 15,193 |
| Construction in progress | 75,000 | - |
| Vehicles | 27,180 | - |
| Less accumulated depreciation | (325,157) | (233,886) |
| Property and equipment, net | \$ 1,512,077 | \$ 1,421,801 |

For the year ended June 30, 2021, there was no interest capitalized. For the year ended June 30, 2020, \$15,193 of interest was capitalized.

NOTE 6 – NET ASSETS

Net assets with donor restrictions are available for the following purposes:

| | 2021 | 2020 |
|------------------------------------|---------------|--------------|
| Scholarships | \$ 95,236 | \$ 83,466 |
| Covid-19 Relief | 17,638 | 17,638 |
| Facility purchase | 12,000,000 | - |
| Construction | 2,848,912 | 1,157,658 |
| Subsequent year's activities | 1,240,617 | 3,227,192 |
| Net assets with donor restrictions | \$ 16,202,403 | \$ 4,485,954 |

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOANS

One City received loans totaling \$851,577 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by One City during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over five years. On January 4, 2021, the SBA preliminarily approved forgiveness of One City's first draw loan and accrued interest. On September 23, 2021, the SBA preliminary approved forgiveness of One City's second draw loan. One City must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review One City's good-faith certification concerning the necessity of its loan request, whether One City calculated the loan amount correctly, whether One City used loan proceeds for the allowable

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOANS (continued)

uses specified in the CARES Act, and whether One City is entitled to loan forgiveness in the amount claimed on its application. If SBA determines One City was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 8 – NOTES PAYABLE

On December 20, 2018, One City refinanced its facility agreements with Forward Community Investments (FCI) to obtain title of their 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 had 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 business note was amended in October 2020 with a fixed interest rate of 5.5% with payments of \$2,171 through January 20, 2044, plus a final payment of the unpaid principal and interest due February 20, 2044. The balance at June 30, 2021 and 2020 was \$287,032 and \$342,542, respectively.

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, 2021 and 2020 was \$300,000.

On September 12, 2020, One City entered into a promissory note for the purchase of a van for \$19,970. The promissory note has an interest rate of 6.89% with minimum principal and interest payments of \$396. The promissory note matures on September 10, 2025. The balance at June 30, 2021 was \$17,459.

On August 31, 2020, One City entered into a non-interest-bearing promissory note for the purchase of COVID-19 response activities for \$65,000. The entire loan balance is due on November 30, 2021. The balance at June 30, 2021 was \$32,500.

Interest expense for the years ending June 30, 2021 and 2020 was \$20,497 and \$24,612, respectively.

Future minimum principal payments for the years ending June 30, 2022, 2023, 2024, 2025, 2026, and before thereafter are \$43,873, \$12,068, \$12,807, \$13,591, \$10,724, and \$543,928, respectively.

NOTE 9 – OPERATING LEASES

On September 1, 2020, One City entered into an operating lease for space that expired on August 31, 2021. The lease required monthly payments of \$37,970, subject to an annual escalation of 3%. Rent expense for the year ended June 30, 2021 was \$397,700. Future minimum payment for the year ending June 30, 2022 is \$77,065.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 9 – OPERATING LEASES (continued)

On September 1, 2020, One City entered into an operating lease for a copier that expires on August 31, 2025. The lease requires monthly payments of \$765. Rent expense for the year ended June 30, 2021 was \$7,650. Future minimum payments for the years ending June 30, 2022, 2023, 2024, 2025, and 2026 are \$9,180, \$9,180, \$9,180, \$9,180, and \$1,530, respectively.

NOTE 10 – RELATED PARTY

One City receives various contributions and promises to give from board members. At June 30, 2021 and 2020, One City received \$93,563 and \$792,372, respectively, in contributions from board members. Included in unconditional promises to give was a \$10,000 pledge from a board member.

NOTE 11 – SIGNIFICANT CONCENTRATIONS

One City received \$14,000,000 from one donor during the year ended June 30, 2021.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The following table reflects One City's financial assets as of June 30, 2021 and 2020, reduced by the amounts that are not available to meet general expenditures within one year of the statements of financial position date because of donor-imposed restrictions.

| | 2021 | 2020 |
|--|---------------|--------------|
| Financial assets at year-end | \$ 16,908,177 | \$ 4,937,491 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Restricted by donor with purpose restrictions | (14,961,786) | (1,258,762) |
| Restricted by donor with time restrictions | (1,240,617) | (3,227,192) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 705,774 | \$ 451,537 |

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.

NOTE 13 – 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 received distributions in the year ended June 30, 2021 of \$654. One City did not receive distributions in the year ended June 30, 2020. The endowment fund has a fair value of \$26,659 and \$15,331 as of June 30, 2021 and 2020, respectively.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 14 – COVID-19 CONSIDERATIONS

The COVID-19 pandemic has impacted and could further impact One City's operations, customers, suppliers, and employees as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts One City's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on One City's customers, suppliers, employees, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, One City may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, One City cannot reasonably estimate the impact at this time.

ONE CITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Grant Identifying Number | Accrued or (Deferred) Revenue at 7/1/20 | Receipts | Expenditures | Accrued or (Deferred) Revenue at 6/30/21 |
|---|---|--------------------------------|--|-------------------|-------------------|---|
| Child Nutrition Cluster | | | | | | |
| Department of Agriculture | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | |
| School Breakfast Program | 10.553 | 2021-138142-DPI-SB-546 | \$ - | \$ 20,502 | \$ 25,383 | \$ 4,880 |
| National School Lunch Program | 10.555 | 2021-138142-DPI-NSL-547 | - | 32,530 | 40,533 | 8,002 |
| National School Lunch Program | 10.555 | 2021-138142-DPI-NSLAE-566 | - | 9,450 | 11,587 | 2,137 |
| Total Child Nutrition Cluster | | | - | 62,482 | 77,503 | 15,019 |
| Department of Education | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | |
| Special Education Cluster | | | | | | |
| Special Education Grants to States | 84.027 | 2020-138142-DPI-IDEA-F-341 | 13,569 | 13,569 | 19,502 | 19,502 |
| Title I Grants to Local Educational Agencies | 84.010 | 2021-138142-DPI-TIA-141 | - | - | 8,153 | 8,153 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | 2021-138142-DPI-TIIA-365 | - | - | 4,113 | 4,113 |
| Title IV, Part A | 84.358B | 2021-138142-DPI-TIV-A-381 | - | - | 10,000 | 10,000 |
| COVID - Education Stabilization Fund | 84.425 | 2021-138142-DPI-ESSERF-160 | - | 40,000 | 40,000 | - |
| Total Department of Education | | | 13,569 | 53,569 | 81,768 | 41,768 |
| Total expenditures of federal awards | | | <u>\$ 13,569</u> | <u>\$ 116,051</u> | <u>\$ 159,271</u> | <u>\$ 56,787</u> |

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

ONE CITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

| State Grantor/ Program Title | State Identifying Number | State Pass Through Identifying Number | Accrued or (Deferred) Revenue at 7/1/20 | Receipts | Expenditures | Accrued or (Deferred) Revenue at 6/30/21 |
|---|--------------------------------|--|--|---------------------|---------------------|---|
| Wisconsin Department of Public Instruction | | | | | | |
| Special Education & School Age Parents | 255.101 | 138142-100 | \$ - | \$ 26,640 | \$ 26,640 | \$ - |
| State School Lunch Aid MATCH | 255.102 | 138142-107 | - | 758 | 758 | - |
| Charter Schools State Aid - 2x | 255.289 | 138142 | - | 1,095,217 | 1,095,217 | - |
| Assessments of Reading Readiness Public | 255.956 | 138142-166 | - | 1,029 | 1,029 | - |
| Total expenditures of state awards | | | \$ - | \$ 1,123,644 | \$ 1,123,644 | \$ - |

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

ONE CITY SCHOOLS, INC.
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
June 30, 2021

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, 2021. 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, changes in net assets, or cash flows 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 \$169,149 for the year ended June 30, 2021.

ONE CITY SCHOOLS, INC.
SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2021

| | Total | Per Pupil |
|--|----------------------|----------------------|
| REVENUES | | |
| State Per Pupil Aid | \$ 1,095,217 | \$ 8,360 |
| State Special Education Aid | 26,640 | 203 |
| Other State Aid | 1,787 | 14 |
| Federal funds | 159,271 | 1,216 |
| Other donations | 2,477,808 | 18,915 |
| Charter School | 53,296 | 407 |
| Total revenues | \$ 3,814,019 | \$ 29,115 |
| FEDERAL FUNDS | | |
| IDEA | \$ 19,502 | \$ 149 |
| School Breakfast | 25,383 | 194 |
| School Lunch | 40,533 | 309 |
| Snack Program | 11,587 | 88 |
| Title I, Part A | 8,153 | 62 |
| Title IIA Formulate Teacher and Principal Training | 4,113 | 31 |
| Title IV, Part A | 10,000 | 76 |
| COVID - ESSER | 40,000 | 305 |
| Total federal revenues | \$ 159,271 | \$ 1,216 |
| EXPENDITURES | | |
| Instruction | \$ 2,515,917 | \$ 19,205 |
| Instructional Support | 135,655 | 1,036 |
| Facilities | 545,925 | 4,167 |
| Administration | 568,374 | 4,339 |
| Board | 18,338 | 140 |
| Other | 32,238 | 246 |
| Total expenditures | \$ 3,816,447 | \$ 29,133 |
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| | <u>Net Loss</u> | |
| Total net assets | \$ 113,891 | \$ 116,319 |
| | \$ (2,428) | |

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, 2021, 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 December 9, 2021.

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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
Madison, Wisconsin
December 9, 2021

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, 2021. One City's major state program that has limited required procedures is identified in the accompanying summary of findings and questioned costs.

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, 2021.

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
Madison, Wisconsin
December 9, 2021

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section I—Summary of Auditor's Results

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| 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 |
|--------------------------------|--|
| 255.101 | Special Education & School Age Parents |

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

Section II—Financial Statement Findings

No matters noted.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

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

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

December 9, 2021