

ONE CITY SCHOOLS, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of One City Schools, Inc., which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated 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 present fairly, in all material respects, the financial position of One City Schools, 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.

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 financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of One City Schools, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, One City Schools, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 One City Schools, 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 One City Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating schedules of financial position and activities; schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*; and schedules of revenues and expenditures by category 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 January 29, 2024 on our consideration of One City Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, slightly slanted style.

Wegner CPAs, LLP
Madison, Wisconsin
January 29, 2024

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,333,934	\$ 1,746,506
Unconditional promises to give	790,626	1,424,909
Accounts receivable, net	14,371	16,061
Prepaid expenses	85,905	96,673
Employee Retention Credit receivable	292,145	-
Total current assets	<u>3,516,981</u>	<u>3,284,149</u>
NONCURRENT ASSETS		
Unconditional promises to give, net of current portion and discount	97,746	395,774
Restricted cash	769,286	6,301,536
Notes receivable	13,879,600	13,879,600
Property and equipment, net	22,847,793	18,630,196
Operating lease right-of-use asset	9,510	-
Finance lease right-of-use assets	301,734	-
Total noncurrent assets	<u>37,905,669</u>	<u>39,207,106</u>
Total assets	<u><u>\$ 41,422,650</u></u>	<u><u>\$ 42,491,255</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 391,080	\$ 3,052,722
Deferred revenue	12,164	25,996
Accrued payroll	224,087	189,194
Line of credit	300,000	-
Current portion of notes payable	12,807	12,068
Current portion of operating lease liability	2,759	-
Current portion of finance lease liabilities	149,394	-
Total current liabilities	<u>1,092,291</u>	<u>3,279,980</u>
NONCURRENT LIABILITIES		
Notes payable less current portion	19,640,006	19,652,027
Operating lease liability less current portion	6,751	-
Finance lease liabilities less current portion	156,329	-
Total noncurrent liabilities	<u>19,803,086</u>	<u>19,652,027</u>
Total liabilities	<u>20,895,377</u>	<u>22,932,007</u>
NET ASSETS		
Without donor restrictions	18,034,462	13,242,898
With donor restrictions	2,492,811	6,316,350
Total net assets	<u>20,527,273</u>	<u>19,559,248</u>
Total liabilities and net assets	<u><u>\$ 41,422,650</u></u>	<u><u>\$ 42,491,255</u></u>

See accompanying notes.

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND GAINS		
Contributions		
Contributions from the general public	\$ 1,322,283	\$ 235,412
Grants	4,770,602	3,021,326
Employee Retention Credit	292,145	-
Gain on Paycheck Protection Program forgiveness	-	467,177
Tuition and fees, net	394,200	350,007
Program fees	10,523	-
Investment return, net	2,164	15,388
Loan interest	190,678	58,758
Miscellaneous	170,160	6,232
	<u>7,152,755</u>	<u>4,154,300</u>
Total revenues and gains without donor restrictions		
EXPENSES		
Preschool	1,030,154	846,667
Elementary	5,414,297	4,665,533
Secondary	1,843,297	236,814
Fiscal sponsor	127,837	3,950
Management and general	2,270,416	1,562,871
Fundraising	269,585	258,709
	<u>10,955,586</u>	<u>7,574,544</u>
Total expenses		
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program and time restrictions	8,594,395	15,661,406
	<u>8,594,395</u>	<u>15,661,406</u>
Change in net assets without donor restrictions	4,791,564	12,241,162
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions from the general public	4,770,856	5,775,353
Net assets released from restrictions	(8,594,395)	(15,661,406)
	<u>(3,823,539)</u>	<u>(9,886,053)</u>
Change in net assets with donor restrictions	(3,823,539)	(9,886,053)
Change in net assets	968,025	2,355,109
Net assets at beginning of year	19,559,248	17,204,139
Net assets at end of year	<u>\$ 20,527,273</u>	<u>\$ 19,559,248</u>

See accompanying notes.

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Preschool	Elementary	Secondary	Fiscal Sponsor	Management and General	Fundraising	Total Expenses
Contract services	\$ 12,957	\$ 266,648	\$ 113,611	\$ -	\$ 354,809	\$ -	\$ 748,025
Facilities and equipment	134,340	443,625	193,400	-	11,973	-	783,338
Office	8,820	68,329	34,014	-	1,360	-	112,523
Other	8,565	105,739	55,946	10,523	106,107	4,053	290,933
Personnel	596,042	3,503,570	872,110	28,854	1,665,322	243,333	6,909,231
Staff and board	39,860	183,822	93,246	-	2,659	-	319,587
Kitchen and food service	127,602	269,935	130,661	-	-	-	528,198
Direct student costs	33,202	212,231	224,784	28,460	5,696	-	504,373
Tuition discounts	73,501	-	-	-	-	-	73,501
Depreciation	50,735	258,239	77,363	-	89,420	11,841	487,598
Grants to others	-	-	1,589	60,000	1,350	10,358	73,297
Bad debt	-	-	-	-	31,720	-	31,720
Amortization	16,883	96,078	43,815	-	-	-	156,776
Interest	1,148	6,081	2,758	-	-	-	9,987
Total	1,103,655	5,414,297	1,843,297	127,837	2,270,416	269,585	11,029,087
Less: tuition discounts included with tuition and fees in the statements of activities	(73,501)	-	-	-	-	-	(73,501)
Total expenses	\$ 1,030,154	\$ 5,414,297	\$ 1,843,297	\$ 127,837	\$ 2,270,416	\$ 269,585	\$ 10,955,586

See accompanying notes.

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	<u>Preschool</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Fiscal Sponsor</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$ 22,164	\$ 185,017	\$ 13,188	\$ -	\$ 328,624	\$ 11,546	\$ 560,539
Facilities and equipment	126,279	453,716	-	-	28	2,517	582,540
Office	14,665	99,288	137	-	99	5,562	119,751
Other	20,064	248,630	21,631	-	91,485	42,518	424,328
Personnel	480,110	2,745,754	174,394	-	1,125,725	182,490	4,708,473
Staff and board	53,520	321,214	4,606	-	1,821	-	381,161
Kitchen and food service	41,902	242,136	3,924	-	-	1,333	289,295
Direct student costs	31,647	335,060	18,934	3,950	13,401	2,040	405,032
Tuition discounts	95,445	-	-	-	-	-	95,445
Depreciation	54,816	34,718	-	-	-	-	89,534
Grants to others	1,500	-	-	-	1,688	10,703	13,891
Total	942,112	4,665,533	236,814	3,950	1,562,871	258,709	7,669,989
Less: tuition discounts included with tuition and fees in the statements of activities	(95,445)	-	-	-	-	-	(95,445)
Total expenses	\$ 846,667	\$ 4,665,533	\$ 236,814	\$ 3,950	\$ 1,562,871	\$ 258,709	\$ 7,574,544

See accompanying notes.

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 968,025	\$ 2,355,109
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Write-off of unconditional promises to give	31,720	-
Allowance for doubtful accounts	40,660	22,837
Depreciation	487,598	89,534
Amortization on operating lease right-of-use asset	2,681	-
Amortization on finance lease right-of-use asset	156,776	-
Contributions restricted for long-term purposes	(431,196)	(4,532,259)
Forgiveness of Paycheck Protection Program loan	-	(467,177)
Unrealized and realized gain from donated stock	(2,164)	(15,388)
(Increase) decrease in assets		
Unconditional promises to give	900,591	13,617,833
Accounts receivable	(38,970)	(25,505)
Prepaid expenses	10,768	3,388
Employee Retention Credit receivable	(292,145)	-
Other receivables	-	34
Increase (decrease) in liabilities		
Accounts payable	(2,622,900)	2,792,575
Accrued payroll	34,893	91,169
Deferred revenue	(13,832)	(7,350)
Operating lease liability	(2,681)	-
Net cash flows from operating activities	(770,176)	13,924,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions of note receivable	-	(13,879,600)
Purchases of property and equipment	(4,743,937)	(14,229,252)
Net cash flows from investing activities	(4,743,937)	(28,108,852)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	300,000	-
Proceeds from contributions restricted for investment in property and equipment	431,196	4,532,259
Proceeds from donated stock	2,164	15,388
Payments on notes payables	(11,282)	(42,896)
Proceeds from notes payable	-	16,271,109
Payments on finance lease liabilities	(152,787)	-
Net cash flows from financing activities	569,291	20,775,860
Net change in cash and restricted cash	(4,944,822)	6,591,808
Cash and restricted cash at beginning of year	8,048,042	1,456,234
Cash and restricted cash at end of year	<u>\$ 3,103,220</u>	<u>\$ 8,048,042</u>

See accompanying notes.

ONE CITY SCHOOLS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest net of the amount capitalized	\$ 26,646	\$ 75,389
Noncash investing and financing transactions		
Property and equipment included in accounts payable	140,768	179,510
Donated stock	611,230	100,000
Acquisition of finance lease right-of-use assets	363,850	-
Acquisition and renovation of property		
Cost	\$ -	\$ 16,798,891
Notes payable	-	(2,798,891)
	<u>\$ -</u>	<u>\$ 14,000,000</u>
Cash and restricted cash		
Cash	\$ 2,333,934	\$ 1,746,506
Restricted cash	769,286	6,301,536
	<u>\$ 3,103,220</u>	<u>\$ 8,048,042</u>

See accompanying notes.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

One City Schools, Inc. (One City) prepares young children from preschool to grade 7 in the Madison, Wisconsin area for success in school and life. One City's support and revenue is primarily from contributions, grants, and tuition.

One City Schools Foundation, Inc. (Foundation) solicits funding for and provides support to One City. The Foundation's revenue is primarily from contributions.

One City Broadway, Inc. (Broadway) holds title to commercial rental property that provides space for the elementary school and secondary school.

One City Broadway South, LLC (Broadway South) holds title to commercial rental property that will be used for the athletic facility.

Principles of Consolidation

The financial statements include the accounts of One City, the Foundation, Broadway, and its wholly owned subsidiary, Broadway South. One City is consolidated with the Foundation and Broadway since One City has both an economic interest in both entities and control of both entities through a major voting interest in their governing bodies. All material intra-entity transactions have been eliminated.

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. Allowance for doubtful accounts at June 30, 2023 and 2022 was \$40,660 and \$22,837, respectively.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leases

One City does not recognize short-term leases in the statement of financial position. For these leases, One City recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. One City also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, One City uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

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 consolidated statements of activities as net assets released from restrictions.

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. Amounts received in advance of being earned are reported as deferred revenue.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, other, personnel, staff and board, and depreciation, which are allocated on the basis of estimates of time and effort or usage.

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

Preschool – Preschool and daycare services for children ages 2 years old to 4 years old.

Elementary – Charter School services for children currently entering 4k through fifth grade.

Secondary – Charter School services for children currently entering sixth through twelfth grade.

Fiscal sponsor – Expenses for FG Financial, LLC, who is a fiscal sponsor of the Foundation.

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.

Income Tax Status

One City, the Foundation, and Broadway are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Broadway South, a single-member limited liability company, is treated as a disregarded entity for federal income tax purposes and the results of its operations are included on One City's federal exempt return.

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.

Date of Management's Review

Management has evaluated subsequent events through January 29, 2024, the date which the financial statements were available to be issued.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

One City adopted the requirements of Topic 842 as of July 1, 2022, using the optional transition method that allows One City to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. One City's reporting for the year ended June 30, 2022, is in accordance with the previous guidance in Topic 840.

One City elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed One City to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets of \$15,155,098, which includes an intercompany operating right-of-use asset of \$15,142,908, and operating lease liabilities of \$15,155,098, which includes an intercompany operating lease liability of \$15,142,908, and finance lease right-of-use assets of \$94,660 and finance lease liabilities of \$94,660 as of July 1, 2022. The adoption of Topic 842 did not have a material effect on One City's change in net assets or cash flows.

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, 2023 and 2022, One City's uninsured cash balance totals approximately \$1,700,000 and \$7,200,000, respectively.

NOTE 3 – RESTRICTED CASH

Restricted cash was received during the determination of the new market tax credit and is restricted for eligible construction related expenses.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 – CONDITIONAL GRANTS

One City has several grants that are conditioned upon One City incurring qualifying expenses under the grant programs. At June 30, 2023 and 2022, the conditional grants totaled approximately \$1,400,000 and \$2,110,000, respectively. The conditional grants will be recognized as revenue when the conditions are met in future years.

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of the following:

	2023	2022
Receivable in less than one year	\$ 790,626	\$ 1,424,909
Receivable in one to five years	101,860	399,918
Discount on promises to give (5.25% and 1.75% rate)	(4,114)	(4,144)
Unconditional promises to give, net	\$ 888,372	\$ 1,820,683

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Land, building, and improvements	\$ 22,546,721	\$ 6,384,143
Furniture and equipment	1,074,277	288,509
Capitalized finance costs	15,193	15,193
Construction in progress	86,709	12,329,861
Vehicles	27,180	27,180
Less accumulated depreciation	(902,287)	(414,690)
Property and equipment, net	\$ 22,847,793	\$ 18,630,196

For the years ended June 30, 2023 and 2022, interest of \$190,700 and \$58,799 was capitalized, respectively.

NOTE 7 – NOTES RECEIVABLE

One March 10, 2022, the Foundation provided a \$13,879,600 promissory note to One City Investment Fund, owned by Old National Bank, as part of the new market tax credit that is due by March 10, 2052. Interest only payments at a fixed interest rate of 1.373% are required through September 2029. After that date, the loan will require quarterly payments of principal and interest of \$179,526.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022 was \$272,950 and \$280,313, 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, 2023 and 2022 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, 2023 and 2022 was \$9,863 and \$13,782, respectively.

On March 10, 2022, Broadway entered into six promissory notes as part of the new market tax credit. All notes have a 1% fixed interest rate and mature on March 10, 2052. The first loan of \$3,835,785 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$47,647. The second loan of \$5,091,908 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$63,251. The third loan of \$4,951,907 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$61,511. The fourth loan of \$1,444,215 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$17,940. The fifth loan of \$1,838,092 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$22,832. The sixth loan of \$1,908,093 requires interest only payments until September 10, 2029, and then quarterly principal and interest payments of \$23,702. The interest of these loans has been capitalized as stated in Note 6.

Interest expense for the years ending June 30, 2023 and 2022 was \$26,646 and \$16,590, respectively.

Future minimum principal payments for the years ending June 30, 2024, 2025, 2026, 2027, 2028, and thereafter are \$12,807, \$13,591, \$10,732, \$10,133, \$10,705, and \$19,594,845, respectively.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 9 – LINE OF CREDIT

On November 14, 2022, One City entered into a line of credit agreement for \$300,000 with an interest rate of 7.25% and matured in November 2023. The line of credit was renewed with an interest rate of 9.50% and matures in November 2024.

NOTE 10 – LEASES

One City has an operating lease for equipment that expires in October 2026. The lease requires monthly payments of \$249.

One City has multiple finance leases for equipment that expire at various times through August 2026. The leases require monthly payments between \$113 through \$9,666.

One City has two finance leases for copiers that expire at various times through October 2026. The leases require monthly payments of \$388 and \$765.

The components of total lease cost are as follows:

Finance lease cost	
Amortization of right-of-use assets	\$ 156,776
Interest on lease liabilities	9,987
Operating lease cost	2,988
Short-term lease cost	<u>61,249</u>
 Total lease cost	 <u><u>\$ 231,000</u></u>

Lease expense for the year ended June 30, 2022 was \$177,093.

Other information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ 9,263
Financing cash flows from finance leases	143,254
Operating cash flows from operating leases	2,988
Right-of-use assets obtained in exchange for new finance lease liabilities	363,850
Weighted-average remaining lease term	
Finance leases	2.08 years
Operating leases	3.33 years
Weighted-average discount rate	
Finance leases	2.94%
Operating leases	2.87%

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 10 – LEASES (continued)

The maturities of the lease liabilities are as follows:

	Finance Leases	Operating Leases
Year ending June 30:		
2024	\$ 155,996	\$ 2,988
2025	140,801	2,988
2026	16,601	2,988
2027	1,553	996
Total minimum lease payments	314,951	9,960
Imputed interest	(9,228)	(450)
Total lease liabilities	\$ 305,723	\$ 9,510

NOTE 11 – EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2023, One City claimed Employee Retention Credits (ERC) totaling \$292,145 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. One City determined it had a significant decline in gross receipts and government order closures and claimed the ERC for the last three calendar quarters of 2020. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit One City's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines One City was ineligible for the ERC, One City could be required to repay the amount claimed along with penalties and interest.

NOTE 12 – 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. On September 23, 2021, the SBA preliminary approved forgiveness of One City's second draw loan.

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 – PAYCHECK PROTECTION PROGRAM LOANS (continued)

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 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 13 – RELATED PARTY

One City receives various contributions and promises to give from board members. At June 30, 2023 and 2022, One City received \$184,795 and \$1,307,374, respectively, in contributions from board members. Included in unconditional promises to give for the year ended June 30, 2022 were pledges of \$509,918 from two board members.

NOTE 14 – SIGNIFICANT CONCENTRATIONS

One City received 23% and 26% of its revenue from the Department of Public Instruction during the years ended June 30, 2023 and 2022. One City received 37% of its revenue from one donor during the year ended June 30, 2023.

NOTE 15 – NET ASSETS

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

	2023	2022
Scholarships	\$ -	\$ 7,218
Covid-19 relief	4,151	12,175
Preschool and elementary construction	821,794	1,394,345
Preschool	-	75,000
Property and equipment	-	216,633
Charter schools	-	250,000
Advocacy	114,302	-
Capital campaign - playground	73,330	-
Capital campaign - secondary school	619,050	4,283,259
Fiscal sponsor	448,684	-
Subsequent year's activities	411,500	77,720
	\$ 2,492,811	\$ 6,316,350

ONE CITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 16 – LIQUIDITY AND AVAILABILITY

The following table reflects One City's financial assets as of June 30, 2023 and 2022, reduced by the amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date because of donor-imposed or contractual restrictions.

	2023	2022
Financial assets at year-end	\$ 4,005,963	\$ 9,884,786
Less those unavailable for general expenditures within one year due to:		
Restricted cash	(769,286)	(6,301,536)
Restricted by donor with purpose restrictions	(2,081,311)	(6,238,630)
Restricted by donor with time restrictions	(411,500)	(77,720)
Financial assets available to meet cash needs for general expenditures within one year	\$ 743,866	\$ (2,733,100)

Financial assets at year-end consist of cash and restricted 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 17 – COMMITMENTS

One City has several construction contracts that have a remaining committed balance of approximately \$200,000 as of June 30, 2023.

NOTE 18 – ENDOWMENT FUND

An endowment fund was established by a donor with One City named as the specified beneficiary once the previous beneficiary was dissolved. 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, 2023 and 2022 of \$863 and \$772, respectively. The endowment fund has a fair value of \$25,378 and \$24,932 as of June 30, 2023 and 2022, respectively.

ONE CITY SCHOOLS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2023

	One City Schools, Inc.	One City Schools Foundation, Inc.	One City Broadway, Inc.	One City Broadway South, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,113,621	\$ 1,064,507	\$ 155,806	\$ -	\$ -	\$ 2,333,934
Unconditional promises to give	161,832	628,794	-	-	-	790,626
Accounts receivable, net	14,371	-	-	-	-	14,371
Due from related parties	1,125,910	951,023	1,186,509	-	(3,263,442)	-
Prepaid expenses	44,941	13,839	27,125	-	-	85,905
Employee Retention Credit receivable	292,145	-	-	-	-	292,145
Total current assets	2,752,820	2,658,163	1,369,440	-	(3,263,442)	3,516,981
NONCURRENT ASSETS						
Unconditional promises to give, net of current portion and discount	-	97,746	-	-	-	97,746
Restricted cash	-	-	769,286	-	-	769,286
Notes receivable	-	13,879,600	-	-	-	13,879,600
Property and equipment, net	2,340,439	-	19,427,231	1,080,123	-	22,847,793
Operating lease right-of-use assets	14,675,574	-	-	-	(14,666,064)	9,510
Finance lease right-of-use assets	301,734	-	-	-	-	301,734
Total noncurrent assets	17,317,747	13,977,346	20,196,517	1,080,123	(14,666,064)	37,905,669
Total assets	\$ 20,070,567	\$ 16,635,509	\$ 21,565,957	\$ 1,080,123	\$ (17,929,506)	\$ 41,422,650
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 263,857	\$ 4,622	\$ 122,601	\$ -	\$ -	\$ 391,080
Deferred revenue	12,164	-	-	-	-	12,164
Accrued payroll	224,087	-	-	-	-	224,087
Due to related parties	1,039,013	301,455	834,465	1,088,509	(3,263,442)	-
Line of credit	300,000	-	-	-	-	300,000
Paycheck Protection Program loan	-	-	-	-	-	-
Current portion of notes payable	12,807	-	-	-	-	12,807
Current portion of operating lease liabilities	2,759	-	-	-	-	2,759
Current portion of finance lease liabilities	149,394	-	-	-	-	149,394
Total current liabilities	2,004,081	306,077	957,066	1,088,509	(3,263,442)	1,092,291
NONCURRENT LIABILITIES						
Notes payable less current portion	570,006	-	19,070,000	-	-	19,640,006
Operating lease liabilities less current portion	15,535,339	-	-	-	(15,528,588)	6,751
Finance lease liabilities less current portion	156,329	-	-	-	-	156,329
Total noncurrent liabilities	16,261,674	-	19,070,000	-	(15,528,588)	19,803,086
Total liabilities	18,265,755	306,077	20,027,066	1,088,509	(18,792,030)	20,895,377
NET ASSETS						
Without donor restrictions	978,866	14,662,567	1,538,891	(8,386)	862,524	18,034,462
With donor restrictions	825,946	1,666,865	-	-	-	2,492,811
Total net assets	1,804,812	16,329,432	1,538,891	(8,386)	862,524	20,527,273
Total liabilities and net assets	\$ 20,070,567	\$ 16,635,509	\$ 21,565,957	\$ 1,080,123	\$ (17,929,506)	\$ 41,422,650

ONE CITY SCHOOLS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2022

	One City Schools, Inc.	One City Schools Foundation, Inc.	One City Broadway, Inc.	One City Broadway South, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,328,338	\$ 418,168	\$ -	\$ -	\$ -	\$ 1,746,506
Unconditional promises to give	338,059	1,086,850	-	-	-	1,424,909
Accounts receivable, net	16,061	-	-	-	-	16,061
Due from related parties	408,059	1,345,394	1,186,509	-	(2,939,962)	-
Prepaid expenses	74,022	-	22,651	-	-	96,673
Total current assets	2,164,539	2,850,412	1,209,160	-	(2,939,962)	3,284,149
NONCURRENT ASSETS						
Unconditional promises to give, net of current portion and discount	-	395,774	-	-	-	395,774
Restricted cash	-	-	6,301,536	-	-	6,301,536
Notes receivable	-	13,879,600	-	-	-	13,879,600
Property and equipment, net	1,756,305	-	15,785,382	1,088,509	-	18,630,196
Total noncurrent assets	1,756,305	14,275,374	22,086,918	1,088,509	-	39,207,106
Total assets	\$ 3,920,844	\$ 17,125,786	\$ 23,296,078	\$ 1,088,509	\$ (2,939,962)	\$ 42,491,255
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 292,661	\$ -	\$ 2,760,061	\$ -	\$ -	\$ 3,052,722
Deferred revenue	25,996	-	-	-	-	25,996
Accrued payroll	189,194	-	-	-	-	189,194
Due to related parties	1,433,384	342,659	75,410	1,088,509	(2,939,962)	-
Current portion of notes payable	12,068	-	-	-	-	12,068
Total current liabilities	1,953,303	342,659	2,835,471	1,088,509	(2,939,962)	3,279,980
NONCURRENT LIABILITIES						
Notes payable less current portion	582,027	-	19,070,000	-	-	19,652,027
Total liabilities	2,535,330	342,659	21,905,471	1,088,509	(2,939,962)	22,932,007
NET ASSETS						
Without donor restrictions	(569,857)	12,422,148	1,390,607	-	-	13,242,898
With donor restrictions	1,955,371	4,360,979	-	-	-	6,316,350
Total net assets	1,385,514	16,783,127	1,390,607	-	-	19,559,248
Total liabilities and net assets	\$ 3,920,844	\$ 17,125,786	\$ 23,296,078	\$ 1,088,509	\$ (2,939,962)	\$ 42,491,255

ONE CITY SCHOOLS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended June 30, 2023

	One City Schools, Inc.	One City Schools Foundation, Inc.	One City Broadway, Inc.	One City Broadway South, LLC	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
REVENUES AND GAINS						
Contributions						
Contributions from the general public	\$ 5,517,791	\$ 1,269,304	\$ 318,057	\$ -	\$ (5,782,869)	\$ 1,322,283
Grants	4,770,602	-	-	-	-	4,770,602
Employee Retention Credit	292,145	-	-	-	-	292,145
Tuition and fees, net	394,200	-	-	-	-	394,200
Program fees	-	10,523	-	-	-	10,523
Rental income	-	-	110,000	-	(110,000)	-
Investment return, net	(4,979)	7,143	-	-	-	2,164
Loan interest	-	190,678	-	-	-	190,678
Miscellaneous	14,354	-	155,806	-	-	170,160
Total revenues and gains without donor restrictions	10,984,113	1,477,648	583,863	-	(5,892,869)	7,152,755
EXPENSES						
Total expenses	11,014,815	6,252,199	435,579	8,386	(6,755,393)	10,955,586
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program and time restrictions	1,579,425	7,014,970	-	-	-	8,594,395
Change in net assets without donor restrictions	1,548,723	2,240,419	148,284	(8,386)	862,524	4,791,564
NET ASSETS WITH DONOR RESTRICTIONS						
Contributions from the general public	450,000	4,320,856	-	-	-	4,770,856
Net assets released from restrictions	(1,579,425)	(7,014,970)	-	-	-	(8,594,395)
Change in net assets with donor restrictions	(1,129,425)	(2,694,114)	-	-	-	(3,823,539)
Change in net assets	419,298	(453,695)	148,284	(8,386)	862,524	968,025
Net assets at beginning of year	1,385,514	16,783,127	1,390,607	-	-	19,559,248
Net assets at end of year	\$ 1,804,812	\$ 16,329,432	\$ 1,538,891	\$ (8,386)	\$ 862,524	\$ 20,527,273

ONE CITY SCHOOLS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended June 30, 2022

	One City Schools, Inc.	One City Schools Foundation, Inc.	One City Broadway, Inc.	One City Broadway South, LLC	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
REVENUES AND GAINS						
Contributions						
Contributions from the general public	\$ 798,191	\$ 11,859,751	\$ 13,454,566	\$ -	\$ (25,877,096)	\$ 235,412
Grants	3,021,326	-	-	-	-	3,021,326
Gain on Paycheck Protection Program forgiveness	467,177	-	-	-	-	467,177
Tuition and fees, net	350,007	-	-	-	-	350,007
Investment return, net	15,388	-	-	-	-	15,388
Loan interest	-	58,758	-	-	-	58,758
Miscellaneous	6,232	-	-	-	-	6,232
Total revenues and gains without donor restrictions	4,658,321	11,918,509	13,454,566	-	(25,877,096)	4,154,300
EXPENSES						
Total expenses	21,131,221	256,460	12,063,959	-	(25,877,096)	7,574,544
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program and time restrictions	14,901,308	760,098	-	-	-	15,661,406
Change in net assets without donor restrictions	(1,571,592)	12,422,147	1,390,607	-	-	12,241,162
NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	654,275	5,121,078	-	-	-	5,775,353
Net assets released from restrictions	(14,901,308)	(760,098)	-	-	-	(15,661,406)
Change in net assets with donor restrictions	(14,247,033)	4,360,980	-	-	-	(9,886,053)
Change in net assets	(15,818,625)	16,783,127	1,390,607	-	-	2,355,109
Net assets at beginning of year	17,204,139	-	-	-	-	17,204,139
Net assets at end of year	\$ 1,385,514	\$ 16,783,127	\$ 1,390,607	\$ -	\$ -	\$ 19,559,248

ONE CITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Accrued or (Deferred) Revenue at 7/1/22	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/23
Child Nutrition Cluster						
Department of Agriculture						
Wisconsin Department of Public Instruction						
School Breakfast Program	10.553	2023-138142-DPI-SB-546	\$ 22,012	\$ 26,012	\$ 4,000	\$ -
School Breakfast Program	10.553	2023-138005-DPI-SB-546	-	68,900	97,723	28,823
National School Lunch Program	10.555	2022-138142-DPI-NSL-547	39,297	39,297	-	-
National School Lunch Program	10.555	2023-138005-DPI-NSL-547	-	148,348	196,953	48,605
NSL Area Eligible Snack Program	10.555	2023-138142-DPI-SK_NSLAE-566	192	192	-	-
NSL Area Eligible Snack Program	10.555	2023-138005-DPI-SK_NSLAE-566	-	37,268	45,998	8,730
Total Child Nutrition Cluster			61,501	320,017	344,674	86,158
Department of Education						
Wisconsin Department of Public Instruction						
Special Education Cluster						
Special Education Grants to States	84.027	2023-138142-DPI-FLOW-341	48,474	48,474	-	-
Special Education Grants to States	84.027	2023-138005-DPI-FLOW-341	-	40,099	69,636	29,537
Special Education Preschool Grants	84.173	2023-138142-DPI-PRESCH-347	2,064	2,064	-	-
Special Education Preschool Grants	84.173	2023-138005-DPI-PRESCH-347	-	972	1,310	338
Total Special Education Cluster			50,538	91,609	70,946	29,875
Title I Grants to Local Educational Agencies	84.010	2023-138142-DPI-TIA-141	25,282	25,282	-	-
Title I Grants to Local Educational Agencies	84.010	2023-138005-DPI-TI-A-141	-	54,985	55,822	837
Total 84.010			25,282	80,267	55,822	837
Supporting Effective Instruction State Grants	84.367	2023-138142-DPI-TIIA-365	3,814	3,814	-	-
Supporting Effective Instruction State Grants	84.367	2023-138005-DPI-TIIA-365	-	14,711	14,711	-
Total 84.367			3,814	18,525	14,711	-
Title IV, Part A	84.424	2023-138142-DPI-TIVA-381	10,000	10,000	-	-
Title IV, Part A	84.424	2023-138005-DPI-TIVA-381	-	10,000	10,000	-
Total 84.424			10,000	20,000	10,000	-
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425	2023-138142-DPI-ESSERFIII-165	24,325	314,350	290,025	-
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425	2023-138142-DPI-ESSERFII-163	100,000	100,000	-	-
Total 84.425			124,325	414,350	290,025	-
Total Department of Education			213,959	624,751	441,504	30,712
Total expenditures of federal awards			\$ 275,460	\$ 944,768	\$ 786,178	\$ 116,870

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

ONE CITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2023

State Grantor/ Program Title	State Identifying Number	State Pass Through Identifying Number	Accrued or (Deferred) Revenue at 7/1/22	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/23
Wisconsin Department of Public Instruction						
Special Education & School Age Parents	255.101	138005-100	\$ -	\$ 46,898	\$ 46,898	\$ -
State School Lunch Aid MATCH	255.102	138005-107	-	1,774	1,774	-
Charter Schools State Aid - 2x	255.289	138005	-	3,395,256	3,395,256	-
Aid for School Mental Health	255.227	138142-176	13,776	13,776	-	-
Educator Effective Eval Sys Grants	255.940	138142-154	-	560	560	-
Assessments of Reading Readiness	255.956	138005-166	-	2,293	2,293	-
Total expenditures of state awards			<u>\$ 13,776</u>	<u>\$ 3,460,557</u>	<u>\$ 3,446,781</u>	<u>\$ -</u>

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

ONE CITY SCHOOLS, INC.
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2023

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 Schools, Inc. under programs of the federal government and state agencies for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of One City Schools, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of One City Schools, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

One City Schools, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

ONE CITY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

There were no prior audit findings.

ONE CITY SCHOOLS, INC.
SCHEDULE OF REVENUES AND EXPENDITURES - ELEMENTARY
Year Ended June 30, 2023

	<u>Total</u>	<u>Per Pupil</u>
REVENUES		
State Per Pupil Aid	\$ 2,471,135	\$ 7,747
Special Education Aid	46,898	147
Federal funds	530,458	1,663
Grants	402,280	1,261
Other donations	403,500	1,265
Other revenue	14,620	46
	<u>\$ 3,868,891</u>	<u>\$ 12,128</u>
FEDERAL FUNDS		
Title I	\$ 55,822	\$ 175
Title II	14,711	46
Title IV	10,000	31
Other federal funds	449,925	1,410
	<u>\$ 530,458</u>	<u>\$ 1,663</u>
EXPENDITURES		
Instruction	\$ 4,837,406	\$ 15,164
Instructional Support	394,304	1,236
Facilities	443,625	1,391
Administration	620,170	1,944
Board	25,959	81
Other Expenditures	189,915	595
	<u>\$ 6,511,379</u>	<u>\$ 20,412</u>
	<u>June 30, 2022</u>	<u>Net Loss</u>
	<u>June 30, 2023</u>	
Net deficit	<u>\$ (2,539,570)</u>	<u>\$ (2,642,488)</u>
		<u>\$ (5,182,058)</u>

ONE CITY SCHOOLS, INC.
SCHEDULE OF REVENUES AND EXPENDITURES - SECONDARY
Year Ended June 30, 2023

	Total	Per Pupil	
REVENUES			
State Per Pupil Aid	\$ 924,121	\$ 6,948	
Federal funds	255,720	1,923	
Other donations	101,500	763	
Total revenues	\$ 1,281,341	\$ 9,634	
FEDERAL FUNDS			
Other federal funds	\$ 255,720	\$ 1,923	
EXPENDITURES			
Instruction	\$ 1,470,655	\$ 11,058	
Instructional Support	160,038	1,203	
Facilities	193,400	1,454	
Administration	329,183	2,475	
Board	17,885	134	
Other Expenditures	83,088	625	
Total expenditures	\$ 2,254,249	\$ 16,949	
	<u>June 30, 2022</u>	<u>Net Loss</u>	<u>June 30, 2023</u>
Net deficit	<u>\$ (158,986)</u>	<u>\$ (972,908)</u>	<u>\$ (1,131,894)</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., which comprise One City Schools, Inc.'s consolidated statement of financial position as of June 30, 2023, and the related consolidated 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 January 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered One City Schools, 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 One City Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of One City Schools, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a deficiency in internal control that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether One City Schools, 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*.

One City Schools, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on One City Schools, Inc.'s response, described in the accompanying schedule of findings and questioned costs, to the findings identified in our audit. One City Schools, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
January 29, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND
THE STATE SINGLE AUDIT GUIDELINES

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

Report on Compliance for Major Program

Qualified Opinion

We have audited One City Schools, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on One City Schools, Inc.'s major program for the year ended June 30, 2023. One City Schools, Inc.'s major program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, One City Schools, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2023.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, One City Schools, Inc. did not comply with requirements regarding the Child Nutrition Cluster as described in finding numbers 2023-005 for Procurement, 2023-007 for Reporting, and 2023-008 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for One City Schools, Inc. to comply with the requirements applicable to that program.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*) issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to One City Schools, Inc.'s government 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 One City Schools, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about One City Schools, Inc.'s compliance with the requirements of the major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, 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 One City Schools, 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 One City Schools, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of One City Schools, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matter

The results of our auditing procedures disclosed another instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and the *Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over

compliance that we consider to be material weaknesses and a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005, 2023-006, 2023-007, and 2023-008 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wegner CPAs, LLP
Madison, Wisconsin
January 29, 2024

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Is a material weakness in internal control over financial reporting disclosed?	Yes
Is a significant deficiency in internal control over financial reporting disclosed?	Yes
Is any noncompliance that is material to the financial statements disclosed?	No

Federal Awards

Type of report the auditor issued on compliance for major federal programs:	Qualified
Is a material weakness in internal control over major federal programs disclosed?	Yes
Is a significant deficiency in internal control over major federal programs disclosed?	Yes
Is any audit finding that is required to be reported under 2 CFR 200.516(a) disclosed?	Yes

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs, as described in 2 CFR 200.518(b)(1):	\$ 750,000
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Did the auditee qualify as a low-risk auditee under 2 CFR 200.520?	No
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FINANCIAL STATEMENT FINDINGS

Finding 2023-001

Criteria: According to 2 CFR, Part 200.303 of the Uniform Grant Guidance, a non-Federal entity must establish and maintain effective internal controls to ensure compliance with federal statutes, regulations, and the terms and conditions of Federal awards.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Condition: One City Schools, Inc. does not have a process in place to review and approve the schedule of expenditures of federal awards.

Cause: Sufficient training has not been provided to individuals responsible for the review and approval of the schedule of expenditures of federal awards.

Effect or Potential Effect: The schedule of expenditures of Federal awards could be misstated or omit required information.

Recommendation: Additional training should be provided to individuals responsible for the review and approval of the schedule of expenditures of federal awards.

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and is working on creating a process to review and approve the schedule of expenditures of Federal awards.

Finding 2023-002

Material Weakness: As discussed in Finding 2023-006, One City Schools, Inc. did not have a process in place to review funding claims prior to submission. This could result in a misstatement of grant revenue. One City Schools, Inc.'s claims should be reviewed prior to submission to the grantor.

Finding 2023-003

Material Weakness: As discussed in Finding 2023-007, One City Schools, Inc. did not maintain supporting documentation for funding claims which could result in a misstatement of grant revenue. One City Schools Inc.'s supporting documentation should be maintained for all claims in accordance with retention requirements of federal awards.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-004

Assistance Listing Number(s): 10.553 and 10.555

Name of Federal Program or Cluster: Child Nutrition Cluster

Name of Federal Agency: Department of Agriculture

Name of Pass-through Entity: Wisconsin Department of Public Instruction

Pass-through Entity Identifying Number(s): 2023-138142-DPI-SB-546, 2023-138005-DPI-SB-546, 2023-138005-DPI-NSL-547, and 2023-138005-DPI-SK_NSLAE-566

Award Period: July 1, 2022 through June 30, 2023

Criteria: According to 2 CFR, Part 200.300 of the Uniform Guidance, a non-federal entity must have the following policies over compliance: cash management (section 200.302(b)(6)), allowability of costs (section 200.302(b)(7)), procurement (section 200.318-.326, reporting (section 200.303), special tests (section 200.303), travel (section 200.475(b)), compensation (section 200.430(a)(1)), and fringe benefits (section 200.431).

Condition: Written policies and procedures are not in accordance with the Uniform Guidance.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Cause: Sufficient training has not been provided to individuals responsible for the development of written policies and procedures in accordance with the Uniform Guidance.

Effect or Potential Effect: Lack of policies and procedures in accordance with the Uniform Guidance could result in noncompliance, disallowed costs, or discontinuance of federal funding.

Repeat Finding: No

Recommendation: Additional training should be provided to individuals responsible for the development of written policies and procedures in accordance with the Uniform Guidance.

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and are working on creating written policies and procedures in accordance with the Uniform Guidance.

Finding 2023-005

Assistance Listing Number(s): 10.553 and 10.555

Name of Federal Program or Cluster: Child Nutrition Cluster

Name of Federal Agency: Department of Agriculture

Name of Pass-through Entity: Wisconsin Department of Public Instruction

Pass-through Entity Identifying Number(s): 2023-138142-DPI-SB-546, 2023-138005-DPI-SB-546, 2023-138005-DPI-NSL-547, and 2023-138005-DPI-SK_NSLAE-566

Award Period: July 1, 2022 through June 30, 2023

Criteria: 2 CFR Sections 200.317 – 200.327 of the Uniform Guidance details procurement requirements for non-federal entities.

Condition: One City Schools, Inc. did not document procurement methods, rationales, and decisions in accordance with the Uniform Guidance.

Cause: Internal controls over procurement requirements have not been implemented effectively by One City Schools, Inc.

Questioned Costs: \$344,674

Effect or Potential Effect: This could result in noncompliance, disallowed costs, or discontinuance of federal funding.

Context: This appears to be a systemic issue, as no procurement actions appeared to be documented for the federal program.

Repeat Finding: No

Recommendation: We recommend that the Organization establish and maintain effective internal controls over procurement requirements.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and are working on implementing internal controls over procurement.

Finding 2023-006

Assistance Listing Number(s): 10.553 and 10.555

Name of Federal Program or Cluster: Child Nutrition Cluster

Name of Federal Agency: Department of Agriculture

Name of Pass-through Entity: Wisconsin Department of Public Instruction

Pass-through Entity Identifying Number(s): 2023-138142-DPI-SB-546, 2023-138005-DPI-SB-546, 2023-138005-DPI-NSL-547, and 2023-138005-DPI-SK_NSLAE-566

Award Period: July 1, 2022 through June 30, 2023

Criteria: According to 2 CFR, Part 200.303 of the Office of Management and Budget's Uniform Grant Guidance, a non-Federal entity must establish and maintain effective internal controls to ensure compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Condition: One City Schools, Inc. did not have a process in place to review funding claims prior to submission.

Cause: Internal controls for funding claims have not been designed appropriately. Currently, there is no review of claim reports prior to submission to the grantor.

Effect or Potential Effect: Incomplete or inaccurate information could be reported on funding claims.

Repeat Finding: No

Recommendation: One City Schools, Inc. should design and implement appropriate internal controls for reviewing funding claims.

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and are working on implementing policies and procedures over reviewing claims prior to submission.

Finding 2023-007

Assistance Listing Number(s): 10.553 and 10.555

Name of Federal Program or Cluster: Child Nutrition Cluster

Name of Federal Agency: Department of Agriculture

Name of Pass-through Entity: Wisconsin Department of Public Instruction

Pass-through Entity Identifying Number(s): 2023-138142-DPI-SB-546, 2023-138005-DPI-SB-546, 2023-138005-DPI-NSL-547, and 2023-138005-DPI-SK_NSLAE-566

Award Period: July 1, 2022 through June 30, 2023

Criteria: According to 2 CFR, Part 200.334 of the Uniform Guidance, supporting documentation pertinent to a federal award must be retained for a period of three years from the date of submission of the expenditure. According to 2 CFR, Part 200.302(3) of the Uniform Guidance, records must be supported by source documentation.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Condition: Supporting documentation for claims were not retained.

Cause: Internal controls for funding claims have not been designed appropriately. Currently, there are no internal controls to ensure support for claims are retained in accordance with federal requirements.

Questioned Costs: \$344,674

Effect or Potential Effect: Incomplete or inaccurate information could be reported on funding claims.

Context: A sample of 8 claims reports were selected from a population of 39. The testing found that supporting documentation for claims was not retained for any of the claims in the sample.

Repeat Finding: No

Recommendation: One City Schools, Inc. should design and implement appropriate internal controls for retaining support for claims in accordance with federal requirements.

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and are working on implementing internal controls for maintaining supporting documentation.

Finding 2023-008

Assistance Listing Number(s): 10.553 and 10.555

Name of Federal Program or Cluster: Child Nutrition Cluster

Name of Federal Agency: Department of Agriculture

Name of Pass-through Entity: Wisconsin Department of Public Instruction

Pass-through Entity Identifying Number(s): 2023-138142-DPI-SB-546, 2023-138005-DPI-SB-546, 2023-138005-DPI-NSL-547, and 2023-138005-DPI-SK_NSLAE-566

Award Period: July 1, 2022 through June 30, 2023

Criteria: According to 7 CFR, Section 210.14(c) a non-federal entity is required to account for all nonprofit school food service revenues and expenditures separately from other funds.

Condition: One City Schools, Inc. did not account for nonprofit school food service revenue and expenses of the program in a separate class in its accounting software.

Cause: Internal controls for accounting for nonprofit school food service funds have not been designed appropriately.

Questioned Costs: None

Effect or Potential Effect: There could be a unallowed profit made on the program.

Repeat Finding: No

Recommendation: Internal controls for accounting for nonprofit school food service funds should be implemented. A separate class in the accounting software for the program could be utilized.

ONE CITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Views of Responsible Officials: One City Schools, Inc. agrees with the finding and will be implementing a separate class in its accounting software for the program's revenue and expenses.

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? No

Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comment, excess revenue, or excess reserve) related to grants and contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction Yes

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

Name and signature of partner



Mitch Davis, CPA

Date of report

January 29, 2024