RACINE CHARTER ONE, INC.
Racine, Wisconsin

Audited Financial Statements

Year Ended June 30, 2021
With Summarized Information for the Year Ended June 30, 2020

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Independent Auditors' Report

The Board of Directors
Racine Charter One, Inc.
Racine, Wisconsin

We have audited the accompanying financial statements of Racine Charter One, Inc. ("School"), which comprise the statements of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year 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 ("U.S. GAAP"); 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Racine Charter One, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Reilly, Penner & Benton LLP
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Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the Wisconsin State Single Audit Guidelines, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Report on Summarized Comparative Information

We have previously audited the School's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Reilly, Penner + Benton LLP

December 7, 2021
Milwaukee, Wisconsin

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and equivalents	$ 1,666,231	$ 1,615,183
Accounts receivable, net	4,642	---
Grants receivable, net	95,452	148,434
Prepaid expenses	88,195	99,124
Inventory	17,313	10,790
Total current assets	1,871,833	1,873,531
Property and Equipment:		
Computers and equipment	668,878	550,216
Furniture and fixtures	1,224,668	1,210,168
Leasehold improvements	5,422,971	5,422,971
Total property and equipment	7,316,517	7,183,355
Accumulated depreciation and amortization	(4,138,482)	(3,923,873)
Net property and equipment	3,178,035	3,259,482
Total assets	$ 5,049,868	$ 5,133,013
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 57,746	$ 74,494
Accrued wages and related liabilities	75,789	77,058
Deferred revenue	12,335	13,095
Note payable - current portion	29,532	29,382
Total current liabilities	175,402	194,029
Long-Term Liabilities:		
Note payable	---	29,382
Total liabilities	175,402	223,411
Net Assets:		
Without donor restrictions	4,660,566	4,624,853
With donor restrictions	213,900	284,749
Total net assets	4,874,466	4,909,602
Total liabilities and net assets	$ 5,049,868	$ 5,133,013

The accompanying notes to financial statements
are an integral part of these statements.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Statement of Activities
Year Ended June 30, 2021
With Summarized Information for the Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Support and Revenue:				
Nonexchange transactions:				
Federal and state aid:				
Charter income	$ 4,545,840	$ ---	$ 4,545,840	$ 4,776,296
Title funds	289,717	---	289,717	161,009
CARES Act	147,710	---	147,710	54,094
Special education	243,643	---	243,643	180,995
Other state grants	2,840	---	2,840	1,807
Food service aid	155,218	22,383	177,601	238,958
Total federal and state aid	5,384,968	22,383	5,407,351	5,413,159
Donations	---	---	---	336
E-Rate reimbursement	18,468	---	18,468	16,416
Other grants	19,934	32,566	52,500	1,917
Interest income	65	---	65	355
Other income	5,181	---	5,181	7,056
Total nonexchange transactions	5,428,616	54,949	5,483,565	5,439,239
Exchange transactions:				
Sales	10,380	---	10,380	16,668
Less: cost of goods sold	(10,380)	---	(10,380)	(16,668)
Field trips fundraising	125	---	125	18,615
Private pay food	134	---	134	1,737
Instrumental music fee	4,483	---	4,483	---
Book fee	12,442	---	12,442	15,042
Total exchange transactions	17,184	---	17,184	35,394
Released from restrictions	125,798	(125,798)	---	---
Net support and revenue	5,571,598	(70,849)	5,500,749	5,474,633
Expenses:				
Program	4,747,072	---	4,747,072	4,807,683
Management and general	788,813	---	788,813	554,243
Total operating expenses	5,535,885	---	5,535,885	5,361,926
Change in net assets	35,713	(70,849)	(35,136)	112,707
Net assets at beginning of year	4,624,853	284,749	4,909,602	4,796,895
Net assets at end of year	$ 4,660,566	$ 213,900	$ 4,874,466	$ 4,909,602

The accompanying notes to financial statements
are an integral part of these statements.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Statement of Functional Expenses
Year Ended June 30, 2021

	Program	Management and General	Total
Salaries	$ 2,408,901	$ 199,919	$ 2,608,820
Fringe benefits and payroll taxes	804,775	67,432	872,207
Food service	139,817	15,536	155,353
Supplies and equipment	525,487	249,109	774,596
Contracted services	130,651	---	130,651
Computer equipment and software	19,753	2,195	21,948
Computer servicing and repairs	35,198	3,911	39,109
Depreciation and amortization	193,148	21,461	214,609
Dues and subscriptions	1,508	167	1,675
Extra-curriculum activities	5,447	606	6,053
Insurance	44,942	4,993	49,935
Internet	18,468	2,052	20,520
Advertising	6,757	750	7,507
Occupancy	374,131	41,570	415,701
Outside events	---	---	---
Printing and copies	22,446	2,494	24,940
Cost of goods sold	10,380	---	10,380
Professional fees	---	174,879	174,879
Repairs and maintenance	12,280	1,365	13,645
Sports	3,363	374	3,737
Total expenses by function	4,757,452	788,813	5,546,265
Less expenses included with revenues on the statement of activities			
Cost of goods sold	(10,380)	---	(10,380)
Total expenses included in the expense section of the statement of activities	$ 4,747,072	$ 788,813	$ 5,535,885

The accompanying notes to financial statements
are an integral part of these statements.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Statement of Functional Expenses
Year Ended June 30, 2020

	Program	Management and General	Total
Salaries	$ 2,507,811	$ 207,768	$ 2,715,579
Fringe benefits and payroll taxes	825,210	68,279	893,489
Food service	216,403	24,044	240,447
Supplies and equipment	384,195	107,713	491,908
Contracted services	123,660	---	123,660
Computer equipment and software	15,210	1,690	16,900
Computer servicing and repairs	40,954	4,551	45,505
Depreciation and amortization	178,662	19,852	198,514
Dues and subscriptions	1,827	203	2,030
Extra-curriculum activities	1,412	157	1,569
Field trips	12,907	---	12,907
Insurance	42,254	4,695	46,949
Bank fees	58	6	64
Internet	18,468	2,052	20,520
Advertising	7,406	823	8,229
Occupancy	371,347	41,261	412,608
Outside events	360	40	400
Printing and copies	19,011	2,112	21,123
Cost of goods sold	16,668	---	16,668
Professional fees	---	64,493	64,493
Repairs and maintenance	30,122	3,347	33,469
Sports	10,406	1,157	11,563
Total expenses by function	4,824,351	554,243	5,378,594
Less expenses included with revenues on the statement of activities			
Cost of goods sold	(16,668)	---	(16,668)
Total expenses included in the expense section of the statement of activities	$ 4,807,683	$ 554,243	$ 5,361,926

The accompanying notes to financial statements
are an integral part of these statements.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	$ (35,136)	$ 112,707
Adjustments to reconcile change in net assets to net cash and equivalents provided by operating activities:		
Depreciation and amortization	214,609	198,514
Change in assets and liabilities:		
Accounts receivable	(4,642)	3,153
Grants receivable	52,982	98,323
Prepaid expenses	10,929	(89,853)
Inventory	(6,523)	(2,246)
Accounts payable	(16,748)	1,297
Deferred revenue	(760)	(2,426)
Accrued wages and related liabilities	(1,269)	18,898
Total adjustments	248,578	225,660
Net cash and equivalents provided by operating activities	213,442	338,367
Cash Flows from Investing Activities:		
Purchases of property and equipment	(133,162)	(121,557)
Net cash and equivalents used by investing activities	(133,162)	(121,557)
Cash Flows from Financing Activities:		
Payments on note payable	(29,232)	(29,382)
Net cash and equivalents used by financing activities	(29,232)	(29,382)
Net change in cash and equivalents	51,048	187,428
Cash and equivalents, beginning of year	1,615,183	1,427,755
Cash and equivalents, end of year	$ 1,666,231	$ 1,615,183

The accompanying notes to financial statements
are an integral part of these statements.

1. Summary of Significant Accounting Policies

Nature of Activities

Racine Charter One, Inc. ("School") is a private, nonstock, nonprofit organization organized under Chapter 181 of the Wisconsin statutes. The School received permission from the University of Wisconsin - Parkside to operate the charter school in the County of Racine, Wisconsin. The School operates under the name 21st Century Preparatory School. The purpose of the School is to offer a nonsectarian educational alternative to the traditional public school system. The School provides educational services for kindergarten through eighth grade pupils. As required by state statute, enrollment is open to all interested pupils. Charter schools are allowed to operate with fewer mandates, greater flexibility and less district supervision than traditional public schools. The charter school program was created in 1993 by the Wisconsin State Legislature for the objectives of offering public school students more educational opportunities, encouraging innovation in public school instruction and fostering innovation in public school organizations.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded as liabilities when incurred.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the School is required to report information regarding the financial position and activities according to the following classes of net assets:

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

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The School does not have any restrictions that are perpetual in nature.

Revenue Recognition

The School recognizes revenue based on the existence or absence of an exchange transaction. The School recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or by transferring control of a product to a customer. Revenue from performance obligations satisfied at a point in time consists of the following:

- **Sales** – recognized when the sale takes place. Sales revenue consists of sales of uniforms, folders, and planners.
- **Field trip fundraising** – recognized when the field trips occur
- **Instrumental music fees** – recognized when the music program takes place
- **Book fees** – fees are collected and recognized at the time the Organization sells goods to a student.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue from non-exchange transactions consist of the following:

- **Federal and state contracts** – Federal and state contracts are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses incur.

- **Contributions of cash and promises to give** - contributions and grants received without donor stipulations are reported as revenue and net assets without donor restrictions at the point in time they are received. Contributions and grants received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions at the point in time they are received. When a donor-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 statement of activities as net assets released from restrictions. Contributions and grants that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction.

Cash and Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash and equivalents.

Accounts Receivable and Grants Receivable

Accounts receivable and grants receivable are reported at contract value, less our estimate for uncollectible amounts based on our experience relative to the total population of accounts receivable. No allowance for uncollectible accounts has been provided by management since it is believed that such allowance would not be material.

Inventory

Inventory consist of uniforms for sale through the bookstore of the School. They are stated at the lower of cost (first-in, first-out basis) or net realizable value. The uniforms are sold at cost.

Property and Equipment

Acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes expenditures of property and equipment in excess of $2,500 at cost. Depreciation or amortization will be computed using primarily the straight-line method over the useful lives. Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was $214,609 and $198,514, respectively.

1. Summary of Significant Accounting Policies (continued)

Donated Services

The School generally pays for services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist the School in achieving its exempt purpose. The School recognizes the fair value of donated services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been reflected in the financial statements for these services, as they do not meet the criteria for financial statement recognition.

Donated supplies and equipment are recognized at their estimated fair values on the date received. The amounts reflected in the financial statements as contributed goods are offset by like amounts included in expenses or capitalized as equipment and depreciated over their useful lives. The School recorded donated commodities for the food service program of $27,414 and $23,754 for the years ended June 30, 2021 and 2020, respectively.

Advertising

The School expenses non-direct response advertising costs as they are incurred. Advertising expense for the years ended June 30, 2021 and 2020 amounted to $7,507 and $8,229, respectively.

Textbooks

Due to the short useful life of textbooks, the School has elected to expense them when purchased.

Deferred Revenue

Deferred revenue consists primarily of registration fees and field trip deposits for the upcoming school year, collected before June 30th. These amounts are recognized as revenue in the fiscal year they pertain to.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on the functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the education program and supporting services benefited based on management's estimate of appropriate level of employee full-time equivalents worked within that program.

1. Summary of Significant Accounting Policies (continued)

Income Tax Status

The School is exempt from federal and state income taxes on related exempt function income under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation. The School does not consider any of its support and revenues to be unrelated business income, and accordingly, no provision for income taxes has been provided in the accompanying financial statements.

The School has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosures required. Management of the School evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. The School recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense. In management's opinion, the School has not taken any uncertain tax positions, and accordingly, has not reported a corresponding liability in the School's financial statements.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (December 7, 2021). See footnote 3 for subsequent line of credit renewal. There were no other subsequent events requiring recognition or disclosure.

2. Liquidity and Availability

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

	2021	2020
Cash and equivalents	$ 1,666,231	$ 1,615,183
Accounts receivable, net	4,642	---
Grants receivable, net	95,452	148,434
Total financial assets	1,766,325	1,763,617
Less amounts not available to be used within one year for general expenditures and other contractual obligations:		
Restricted by donor with purpose restrictions	(213,900)	(284,749)
Financial assets available to meet cash needs for general expenditures and other contractual obligations within one year	$ 1,552,425	$ 1,478,868

In addition to financial assets available to meet general expenditures and other contractual obligations over the next 12 months, the Organization operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the Organization's cash for the years ended June 30, 2021 and 2020.

3. Line of Credit

The School has a line of credit in the amount of $150,000 and bears interest at prime plus 1.00% with no floor (4.25% as of June 30, 2020 and 2021). The line of credit has a maturity date of July 8, 2021 and is secured by a general business security agreement. As of June 30, 2021 and 2020, there was no outstanding balance on the line of credit and there were no draws on the line of credit during the year ended June 30, 2021 and 2020. Subsequent to June 30, 2021, the school renewed the line of credit in the amount of $150,000 with a new expiration date of July 8, 2022. The renewed line of credit bears the same rate of interest as the old line of credit and is secured by a general business security agreement.

4. Net Assets with Donor Restrictions

Net assets with donor restriction are restricted for the following purposes:

	2021	2020
Suzuki Strings Program	$ 6,096	$ 10,014
Field Trips	557	557
Project Lead the Way	5,000	5,000
SC Johnson (Literacy)	134,442	253,822
Food Program	37,739	15,356
H Fisk (Literacy efforts for minorities)	30,066	---
Total	$ 213,900	$ 284,749

5. Operating Leases

The School leases its building under the terms of a lease agreement that has been extended through July 31, 2022. The lease was amended in January 2019 giving the School the option to expand into the third floor of the building, the School has not exercised the option on as of June 30, 2021. The School classifies monthly base lease payments and utilities as occupancy expense. Monthly base rent payments (excluding monthly utilities) under the lease are as follows:

Time Period	Monthly Base Rent
1/1/2019 – 12/31/2019	$ 25,207
1/1/2020 – 12/31/2020	25,843
1/1/2021 – 12/31/2021	26,480
1/1/2022 – 7/31/2022	27,165

The School also leases copiers with monthly payments of $1,750. The lease term is 63 months and is set to expire June 30, 2022.

For the years ended June 30, 2021 and 2020 the School recorded expenses related to these leases of approximately $337,987 and $330,147, respectively.

Future minimum lease payments are as follows:

Years Ending June 30,	
2022	$ 342,868
2023	27,165
Total	$ 370,033

6. Note Payable

The School's long-term obligations consist of a noninterest-bearing note payable, with a face amount of $146,909, due in annual installments of $29,382 through the 2021-2022 school year. The remaining balance of the note was $29,532 and $58,764 as of June 30, 2021 and 2020, respectively. The note is secured by technology equipment that the note was used to purchase.

The following is a schedule by years of future minimum principal payments required under the terms of the note as of June 30, 2021:

Year Ending June 30,	
2022	$ 29,532

7. Employee Retirement Plan

The School provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Effective July 1, 2013, the School amended the plan to an incentive match of 100% of each employee dollar contributed up to 5.15% of pay. An employee is eligible to participate in the plan after one hour of service. Contributions to the plan during the years ended June 30, 2021 and 2020 aggregated $79,778 and $59,115, respectively.

8. Deferred Income

Deferred income consisted of the following at June 30:

	2021	2020
Registration fees	$ 8,514	$ 9,274
Field trips	3,821	3,821
Total	$ 12,335	$ 13,095

9. Concentrations

Concentrations Arising from Funding

Approximately 98% of the School's revenue was received from the Wisconsin Department of Public Instruction for the years ended June 30, 2021 and 2020. These revenues include Charter schools state aid, special education, food service and other governmental financial assistance.

Concentrations Arising from Cash Deposits in Excess of Insured Limits

The School maintains its cash balances in one Racine area financial institution. The School's combined deposits at the financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable current FDIC limits. The School's cash balances may exceed FDIC coverage from time to time during the year.

10. Commitments and Contingencies

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

11. Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the previously reported net assets.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

Federal Awards	Pass-Through Identifying Number	Federal Assistance Listing Number	Accrued or (Unearned) Revenue at 7/1/20	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/21	Subrecipient Awards
U.S. Department of Agriculture							
Passed through Wisconsin Department of Public Instruction:							
Child Nutrition Cluster							
COVID -19 - School Breakfast Program	2021-518110-DPI-SB-SEVERE-546	10.553	$ ---	$ 42,902	$ 47,372	$ 4,470	$ ---
COVID -19 - National School Lunch Program	2021-518110-DPI-NSL-547	10.555	---	76,294	84,164	7,870	---
Donated Commodities - Noncash	N/A	10.555	---	27,414	27,414	---	---
Subtotal 10.555			---	103,708	111,578	7,870	---
Total Child Nutrition Cluster			---	146,610	158,950	12,340	---
Fresh Fruit and Vegetable Program - July Public	2021-518110-DPI-FFVPJULPUB-594	10.582	---	291	291	---	---
Fresh Fruit and Vegetable Program - October Public	2021-518110-DPI-FFVPOCTPUB-376	10.582	---	12,705	14,840	2,135	---
Subtotal 10.582			---	12,996	15,131	2,135	---
Total U.S. Department of Agriculture			---	159,606	174,081	14,475	---
U.S. Department of Education							
Passed through Wisconsin Department of Public Instruction:							
Title I Grants to Local Educational Agencies	2021-518110-DPI-TIA-141	84.010A	27,965	204,920	237,652	60,697	---
Education Stabilization Funds							
COVID-19 - Elementary and Secondary School Emergency Relief Fund (Round	2021-518110-DPI-ESSERF-160	84.425D	54,093	154,963	100,870	---	---
COVID-19 - Governor's Emergency Education Relief Fund (Round I)	2021-518110-DPI-GEERF-162	84.425C	---	46,840	46,840	---	---
Subtotal Education Stabilization Funds			54,093	201,803	147,710	---	---
Special Education Cluster							
Special Education - Grants to States	2021-518110-DPI-IDEA-FT-341	84.027A	40,355	163,604	124,259	1,010	---
IDEA - Title I Schoolwide	2020-518110-DPI-IDEA-F-341	84.027A	1,140	1,140	---	---	---
Subtotal 84.027			41,495	164,744	124,259	1,010	---
Special Education - Preschool Grants	2021-518110-DPI-IDEA-P-347	84.173A	---	---	1,748	1,748	---
Total Special Education Cluster			41,495	164,744	126,007	2,758	---
ESEA Title II-A Formula Teacher and Principal Training	2021-518110-DPI-TIIA-365	84.367A	14,228	43,978	29,750	---	---
Student Support and Academic Enrichment	2021-518110-DPI-TIV-A-381	84.424A	7,465	12,258	20,493	15,700	---
Passed through CESA #1							
ESEA Title III	2021-518110-DPI-TIIIA-391	84.365	3,188	3,188	1,822	1,822	---
Total U.S. Department of Education			148,434	630,891	563,434	80,977	---
U.S. Department of Health and Human Services							
Passed through Wisconsin Department of Health Services:							
Medicaid Cluster							
Medical Assistance Program	44222000	93.778	---	21,409	21,409	---	---
Total Federal Awards			$ 148,434	$ 811,906	$ 758,924	$ 95,452	$ ---

State Awards	State I.D. Number	Accrued or (Unearned) Revenue at 7/1/20	Receipts	State Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/21	Subrecipient Awards
Wisconsin Department of Public Instruction						
Entitlement Programs						
Special Education and School-Age Parents**	518110-100	255.101	$ ---	$ 96,227	$ 96,227	$ ---	$ ---
State School Lunch Aid	518110-107	255.102	---	3,520	3,520	---	---
Charter Schools State Aid	518110-115	255.109	---	4,545,840	4,545,840	---	---
Assessments of Reading Readiness	518110-166	255.956	---	2,840	2,840	---	---
Total State Awards			$ ---	$ 4,648,427	$ 4,648,427	$ ---	$ ---

** Total DPI aidable expenditures for the year ended June 30, 2021 were $363,950

See Independent Auditors' Report
and Notes to Schedule of Expenditures of Federal and State Awards.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the School under programs of the federal and state government for the year ended June 30, 2021. 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 *Wisconsin State Single Audit Guide*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the Schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and *Wisconsin State Single Audit Guide*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the School in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded expenditures.

3. Indirect Cost Rate

The School did not use the 10% de minimis indirect cost rate.

4. Noncash Awards

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the School's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2021.

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

Board of Directors
Racine Charter One, Inc.
Racine, 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 Racine Charter One, Inc. ("School"), which comprise the statements of financial position as of June 30, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 a material weakness.

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 2021-001 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

School's Response to the Findings

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

Purpose of this Report

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

Reilly, Penner + Benton LLP

December 7, 2021
Milwaukee, Wisconsin

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND WISCONSIN STATE SINGLE AUDIT GUIDELINES

Board of Directors
Racine Charter One, Inc.
Racine, Wisconsin

Report on Compliance for Each Major State Program

We have audited Racine Charter One, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Wisconsin State Single Audit Guidelines* that could have a material effect on each of the School's major federal and state programs for the year ended June 30, 2021. The School's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; 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 Wisconsin State Single Audit Guidelines*. Those standards and Uniform Guidance and *Wisconsin State Single Audit Guidelines* requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those 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 for each major federal and state program. However, our audit does not provide a legal determination on the School's compliance.

Opinion on Each Major State Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2021.

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Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance and Wisconsin State Single Audit Guidelines*, 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 the School'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 federal or 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 federal or 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 federal or 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a material weakness.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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 that testing based on the requirements of the *Uniform Guidance* and the *Wisconsin State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Reilly, Penner + Benton LLP

December 7, 2021
Milwaukee, Wisconsin

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

Reference Number: **2020-001**
Description: **Segregation of Duties**

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have absent or inadequate segregation of duties within a significant account or process.

Condition: Proper segregation of duties prescribes that the authorization, recording, and custody functions be separated. Many of the accounting functions are performed by a few individuals.

Cause: Limitations in staff size.

Effect: The lack of segregation of duties could result in the possibility of undetected errors or irregularities.

Recommendation: This is a repeat finding. It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one or two individuals is not desirable from a control standpoint. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the School's financial affairs.

Status: This is a finding in the current year. See 2021-001.

Reference Number: **2020-002**
Description: **Audit Adjustments**

Criteria: Statements on Auditing Standards AU §314.41 states it is the responsibility of management to implement proper internal controls to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting.

Condition: One or more audit adjustments were required to prevent the School's financial statements from being misstated.

Cause: Inadequate controls in place to ensure the proper recording of all the School's financial transactions in accordance with accounting principles generally accepted in the United States of America.

Effect: Without the audit adjustments, the financial statements of the School would have been misstated.

Auditors' Recommendation: We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

Status: This is a finding in the current year. See 2021-002.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:

   A. Material weakness(es) identified? Yes

   B. Significant deficiency(ies) identified? Yes

3. Noncompliance material to financial statements? No

Federal Awards

4. Internal control over major programs:
   A. Material weakness(es) identified: Yes
   B. Significant deficiency(ies) identified? No

5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425C	Education Stabilization Funds - COVID-19 - Governors Emergency Education Relief Fund
84.425D	Education Stabilization Funds - COVID-19 - Elementary and Secondary School Emergency Relief
	Child Nutrition Cluster:
10.553	COVID-19 – Food Service Aid School Breakfast
10.555	Donated Commodities - noncash
10.555	COVID-19 – Food Service Aid National School Lunch

8. Dollar threshold used to distinguish between type A and type B programs $750,000

9. Auditee qualified as low-risk auditee? No

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021
(Continued)

A. Summary of Auditors' Results (Continued)

State Awards

10. Internal control over major programs:
    A. Material weakness(es) identified: Yes
    B. Significant deficiency(ies) identified? No

11. Type of auditors' report issued on compliance for major programs: Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? Yes

13. Identification of major state program(s):

State Identification Number	Name of State Program
255.101	Special education and school-age parents
255.109	Charter School State Aid

14. Dollar threshold used to distinguish between type A and B programs $250,000

B. Financial Statement Findings

Reference Number: **2021-001**
Description: **Segregation of Duties**

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have absent or inadequate segregation of duties within a significant account or process.

Condition: Proper segregation of duties prescribes that the authorization, recording, and custody functions be separated. Many of the accounting functions are performed by a few individuals.

Cause: Limitations in staff size.

Effect: The lack of segregation of duties could result in the possibility of undetected errors or irregularities.

Recommendation: This is a repeat finding. It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one or two individuals is not desirable from a control standpoint. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the School's financial affairs.

Views of Responsible Officials: See attachment for School's corrective action plan.

Reference Number: **2021-002**
Description: **Audit Adjustments**

Criteria: Statements on Auditing Standards AU §314.41 states it is the responsibility of management to implement proper internal controls to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting.

Condition: One or more audit adjustments were required to prevent the School's financial statements from being misstated.

Cause: Inadequate controls in place to ensure the proper recording of all the School's financial transactions in accordance with accounting principles generally accepted in the United States of America.

Effect: Without the audit adjustments, the financial statements of the School would have been misstated

Identification of a Repeat Finding: This is not a repeat finding from the previous audit.

Auditors' Recommendation: We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

Views of Responsible Officials: See attached document for the School's corrective action plan.

C. Federal and State Award Findings and Questioned Costs

See 2021-002 finding.

RACINE CHARTER ONE, INC.
Racine, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021
(Continued)

D. Other Issues

1. Does the auditors' 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
2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, 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 Single Audit Guidelines:*	
Department of Public Instruction	Yes
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?	Yes
4. Name and signature of partner	Jason J. Wrasse, CPA
5. Date of Report	December 7, 2021

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Corrective Action Plan

Reference Number: 2021-001
Description: Segregation of Duties

Corrective Action Plan: The District will continue to use other controls, including management review and board oversight, to compensate for this limitation.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Shebaniah Muhammad, Executive Director, 262-598-0026

Reference Number: 2021-002
Description: Audit Adjustments

Corrective Action Plan: The District will continue to work on implementing a system of reconciliation and review to reduce the number of audit adjusting journal entries. For the 2021-2022 school year, we have already ensured each Title Grant is outlined by line item in the yearly budget. Each Purchase Order and subsequent invoice for payment, is already tied to the specific line item for the Title Grant it is budgeted to. If need be, any line item is noted for a journal entry through our review of all payments in an ongoing basis as well as monthly during our monthly finance reporting. All of this will help reduce the need for audit adjustments with outside accountant.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Shebaniah Muhammad, Executive Director, 262-598-0026

Shebaniah Muhammad
Executive Director
21st Century Preparatory School