

Item #7

SAMPLE SCHOOL of SAMPLE CHURCH
Milwaukee, Wisconsin

Audited Financial Statements

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sample School of Sample Church
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Sample School of Sample Church ("School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the statement of financial position as of June 30, 2018.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

Basis for Qualified Opinion

Prior to July 1, 2017, the School has not capitalized and depreciated long-lived property and equipment due to the historical costs of these assets not being tracked and the information being unavailable. Accounting principles generally accepted in the United States of America require that capitalizable property and equipment be reported in the statements of financial position and depreciated over their estimated useful lives. The effects on the accompanying financial statements of the failure to record property and equipment prior to July 1, 2017 have not been determined.

Qualified Opinion

In our opinion, except for omission of the information mentioned in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the School as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Private School Choice Programs ("PSCP") reserve balance schedule, as required by the Wisconsin Department of Public Instruction, 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 addition, the balances have been subjected to auditing procedures required by Wisconsin Statutes 118.60 and 119.23 and Wisconsin Administrative Codes PI 35 and PI 48. In our opinion, the PSCP reserve balance schedule is free of material misstatements and fairly presents the School's eligible education expenses as required under Wisconsin Statutes 118.60 and 119.23 and Wisconsin Administrative Codes PI 35 and PI 48.

Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Special Needs Scholarship Program ("SNSP") reserve balance schedule, as required by the Wisconsin Department of Public Instruction, 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 addition, the balances have been subjected to auditing procedures required by Wisconsin Statute 115.7915 and Wisconsin Administrative Code PI 49. In our opinion, the SNSP reserve balance schedule is free of material misstatements and fairly presents the private school's eligible education expenses as required under Wisconsin Statute 115.7915 and Wisconsin Administrative Code PI 49.

August 30, 2019

Milwaukee, Wisconsin

SAMPLE SCHOOL of SAMPLE CHURCH
Milwaukee, Wisconsin

Statements of Financial Position
June 30, 2019 and 2018

| Assets: | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash and equivalents | \$ 3,780 | \$ 388,000 |
| Accounts receivable, net | 36,000 | 12,270 |
| Prepaid expenses | 9,555 | 13,740 |
| Scrip inventory | 1,250 | 850 |
| Total current assets | <u>50,585</u> | <u>414,860</u> |
| Property and Equipment: | | |
| Educational media | 50,000 | 50,000 |
| Equipment | 211,130 | 111,130 |
| Buildings and improvements | 1,600,000 | 1,500,000 |
| Land | 340,220 | 340,220 |
| Land improvements | 98,620 | 80,194 |
| Leasehold improvements | 200,000 | --- |
| Construction in progress | 100,000 | 247,775 |
| Total property and equipment | <u>2,599,970</u> | <u>2,329,319</u> |
| Less: Accumulated depreciation and amortization | (350,000) | (202,161) |
| Net property and equipment | <u>2,249,970</u> | <u>2,127,158</u> |
| Other Assets: | | |
| Security deposits | 1,000 | 1,000 |
| Total other assets | <u>1,000</u> | <u>1,000</u> |
| Total assets | <u>\$ 2,301,555</u> | <u>\$ 2,543,018</u> |
| Liabilities and Net Assets: | | |
| Current Liabilities: | | |
| Accounts payable | \$ 90,835 | \$ 291,214 |
| Accrued payroll and related liabilities | 56,009 | 69,000 |
| Deferred tuition revenue | 2,000 | 2,500 |
| Notes payable, current portion | 125,000 | 82,486 |
| Line of credit | 40,000 | --- |
| Total current liabilities | <u>313,844</u> | <u>445,200</u> |
| Noncurrent Liabilities: | | |
| Notes payable, net of current portion | <u>1,530,000</u> | <u>1,657,306</u> |
| Total liabilities | 1,843,844 | 2,102,506 |
| Net Assets: | | |
| Without donor restrictions | 360,486 | 173,287 |
| Without donor restrictions - board designated | 20,000 | --- |
| With donor restrictions | 77,225 | 267,225 |
| Total net assets | <u>457,711</u> | <u>440,512</u> |
| Total liabilities and net assets | <u>\$ 2,301,555</u> | <u>\$ 2,543,018</u> |

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

SAMPLE SCHOOL of SAMPLE CHURCH
Milwaukee, Wisconsin

Statement of Activities
For the Year Ended June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>Without Donor Restrictions - Board Designated</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|--|------------------------------------|-------------------|
| Revenues: | | | | |
| Tuition - parental choice voucher | \$ 2,280,837 | \$ --- | \$ --- | \$ 2,280,837 |
| Tuition - private pay | 8,000 | --- | --- | 8,000 |
| Summer school revenue | 50,260 | --- | --- | 50,260 |
| Special needs scholarship revenue | 42,725 | --- | --- | 42,725 |
| Program fees | 6,160 | --- | --- | 6,160 |
| Fundraising: | | | | |
| Revenues | 19,320 | --- | --- | 19,320 |
| Less: Direct fundraising expense | (9,877) | --- | --- | (9,877) |
| Net fundraising | <u>9,443</u> | --- | --- | <u>9,443</u> |
| Scrip: | | | | |
| Revenues | 21,450 | --- | --- | 21,450 |
| Less: Cost of goods sold | (18,160) | --- | --- | (18,160) |
| Net scrip | <u>3,290</u> | --- | --- | <u>3,290</u> |
| Contributions | 31,888 | 20,000 | 10,000 | 61,888 |
| Government grants | 5,819 | --- | --- | 5,819 |
| USDA food revenue | 200,000 | --- | --- | 200,000 |
| Miscellaneous revenue | 5,198 | --- | --- | 5,198 |
| In-kind donations revenue | 12,500 | --- | --- | 12,500 |
| Net assets released from restrictions | 200,000 | --- | (200,000) | --- |
| Net revenues | <u>2,856,120</u> | <u>20,000</u> | <u>(190,000)</u> | <u>2,686,120</u> |
| Expenses: | | | | |
| Program services | 2,324,704 | --- | --- | 2,324,704 |
| Management and general | 338,711 | --- | --- | 338,711 |
| Fundraising | 5,506 | --- | --- | 5,506 |
| Total expenses | <u>2,668,921</u> | --- | --- | <u>2,668,921</u> |
| Change in net assets | 187,199 | 20,000 | (190,000) | 17,199 |
| Net assets, beginning of year | <u>173,287</u> | --- | <u>267,225</u> | <u>440,512</u> |
| Net assets, end of year | <u>\$ 360,486</u> | <u>\$ 20,000</u> | <u>\$ 77,225</u> | <u>\$ 457,711</u> |

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

SAMPLE SCHOOL of SAMPLE CHURCH
Milwaukee, Wisconsin

Statement of Functional Expenses
For the Year Ended June 30, 2019

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|------------------------|----------------------------|
| Expenses: | | | | |
| Salaries and wages | \$ 809,329 | \$ 85,429 | \$ 4,496 | \$ 899,254 |
| Employee benefits | 126,289 | 13,330 | 702 | 140,321 |
| Payroll taxes | 55,511 | 5,860 | 308 | 61,679 |
| Professional services | 552,361 | 97,475 | --- | 649,836 |
| Student activities | 11,729 | --- | --- | 11,729 |
| Food service | 184,296 | 32,523 | --- | 216,819 |
| Rent | 71,400 | 12,600 | --- | 84,000 |
| Supplies | 92,420 | 16,309 | --- | 108,729 |
| Repairs and maintenance | 105,253 | 18,574 | --- | 123,827 |
| Telephone | 12,442 | 2,196 | --- | 14,638 |
| Utilities | 48,261 | 8,517 | --- | 56,778 |
| Printing and subscriptions | 977 | 172 | --- | 1,149 |
| Transportation | 1,450 | 256 | --- | 1,706 |
| Scholarships | 1,000 | --- | --- | 1,000 |
| Administrative | 3,624 | 640 | --- | 4,264 |
| Dues and subscriptions | 10,638 | 1,877 | --- | 12,515 |
| Advertising | 18,739 | 3,307 | --- | 22,046 |
| Insurance | 17,170 | 3,030 | --- | 20,200 |
| Bank fees | --- | 1,001 | --- | 1,001 |
| Bad debts | 85 | 15 | --- | 100 |
| Depreciation and amortization | 125,663 | 22,176 | --- | 147,839 |
| Interest | 76,067 | 13,424 | --- | 89,491 |
| Total expenses | \$ <u>2,324,704</u> | \$ <u>338,711</u> | \$ <u>5,506</u> | \$ <u>2,668,921</u> |

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

SAMPLE SCHOOL of SAMPLE CHURCH
Milwaukee, Wisconsin

Statement of Cash Flows
For the Year Ended June 30, 2019

| | |
|---|-------------------------|
| Cash Flows from Operating Activities: | |
| Increase in net assets | \$ 17,199 |
| Adjustments to reconcile change in net assets to net cash and equivalents provided (used) by operating activities: | |
| Depreciation and amortization | 147,839 |
| Change in assets and liabilities: | |
| Accounts receivable | (23,730) |
| Prepaid expenses | 4,185 |
| Scrip inventory | (400) |
| Accounts payable | (200,379) |
| Accrued payroll and related liabilities | (12,991) |
| Deferred tuition revenue | (500) |
| Total adjustments | <u>(85,976)</u> |
| Net cash and equivalents used by operating activities | <u>(68,777)</u> |
| Cash Flows from Investing Activities: | |
| Purchases of property and equipment | <u>(270,651)</u> |
| Net cash and equivalents used by investing activities | <u>(270,651)</u> |
| Cash Flows from Financing Activities: | |
| Payments on line of credit | (470,000) |
| Borrowings on line of credit | 510,000 |
| Payments on notes payable | <u>(84,792)</u> |
| Net cash and equivalents used by financing activities | <u>(44,792)</u> |
| Net decrease in cash and equivalents | <u>(384,220)</u> |
| Cash and equivalents, beginning of year | <u>388,000</u> |
| Cash and equivalents, end of year | <u><u>\$ 3,780</u></u> |
| Supplementary Disclosures: | |
| Interest paid | <u><u>\$ 89,491</u></u> |

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

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019

1. Organization and Nature of Activities

Sample School of Sample Church ("School") is organized as a 501(c)(3) not for profit entity. Sample Church is a member of the United States Catholic Conference ("Conference"). Sample Church is covered by the Conference's group exemption, and therefore is not required to file an informational return.

The School is a K4-8th grade school that follows the Archdiocese of Milwaukee standards-based curriculum. The School, believing every student is a child of God, challenges each to pursue academic excellence and to live the gospel through worship and service to others.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the School have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. The governing board has designated, from net assets without donor restrictions, net assets for a fund balance reserve.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The School does not have any restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The presentation 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.

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements

June 30, 2019

(Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue and Support

Tuition and other program fees are recognized as income in the period where the services have been earned.

Contributions received are recorded at their fair value as with donor restrictions or without donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give or cash contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

Contributed Goods and Services

The School reports various types of contributed goods and services support, including rent, supplies, professional services and equipment. Donated supplies and equipment are recognized at their estimated values on the date received. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. Such contributed goods and services totaled \$15,000 for the year ended June 30, 2019. The amounts reflected in the financial statements as in-kind donations revenue are offset by like amounts included in expenses. The School recorded professional services of \$12,500 for the year ended June 30, 2019 and food costs of \$2,500 for the year ended June 30, 2019.

The School also received contributed services for its various programs from volunteers which do not meet the recognition criteria described above. No amounts have been reflected in the financial statements for these contributed services.

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (August 30, 2019). There were no subsequent events that required recognition or disclosure.

Cash and Equivalents

For purposes of the statement of cash flows, cash and equivalents include cash on hand, savings, money market and checking accounts as well as all highly liquid investments with an initial maturity of three months or less to be cash and equivalents.

Accounts Receivable

Accounts receivable are reported at contract values, less an allowance for uncollectible accounts. Management determines the need for an allowance for doubtful accounts based on experience relative to the possibility of collection. Management believes all amounts to be collectible.

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Scrip Inventory

The School's inventory is comprised of scrip and is stated at the lower of cost or market on the "first-in, first-out" basis. The amount of scrip inventory amounted to \$1,250 and \$850 for the years ended June 30, 2019 and 2018, respectively.

Property and Equipment and Depreciation

All fixed assets are stated at cost or in the case of donated property, at the estimated fair value at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives. The School's policy is to capitalize all property and equipment costing over \$5,000. The School has the following property and equipment categories with the estimated lives consisting of the following:

| | |
|------------------------|---|
| Buildings | 40 years |
| Building improvements | 20 years |
| Land improvements | 15 years |
| Leasehold improvements | Lesser of: 1.) the improvements life 2.) the greater of lease term or expected lease term |
| Educational media | 5 years |
| Equipment | 7 years |

Depreciation and amortization expense amounted to \$147,839 for the year ended June 30, 2019.

Deferred Revenue

Deferred revenue consists of deposits received for goods or services that the respective goods or services will be provided or given in a future year. Deferred revenue consists of deposits towards tuition for the 2019-2020 school year.

Advertising

The School expenses advertising production costs as they are incurred. Advertising expense was \$22,046 for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amongst the program and supporting services benefited. The expenses were allocated based on a square footage or estimate of time basis.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no change in net assets due to this implementation.

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

3. Liquidity and Availability

The School strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures and other current contractual obligations. Financial assets in excess of daily cash requirements, if any, would be invested in short-term investments. The table below presents financial assets available for general expenditures and other current contractual obligations within one year:

| | June 30, | |
|--|--------------------|---------------------|
| | 2019 | 2018 |
| Financial assets: | | |
| Cash and equivalents | \$ 3,780 | \$ 388,000 |
| Accounts receivable, net | 36,000 | 12,270 |
| Total financial assets | 39,780 | 400,270 |
| Less amounts not available to be used within one year for general expenditures and other current contractual obligations: | | |
| Net assets with board designations | (20,000) | --- |
| Net assets with donor restrictions | (77,225) | (267,225) |
| Financial assets available to meet general expenditures and other current contractual obligations within one year | \$ (57,445) | \$ (133,045) |

In addition to financial assets available to meet general expenditures and other current contractual obligations over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and other current contractual obligations not covered by donor-restricted resources. The School's Board has designated amounts otherwise without donor restrictions. These board designated funds can be made available to meet operating needs if necessary. In addition, should short-term needs arise, the School has the ability to borrow up to \$100,000 on their line of credit. See footnote 5 for details.

4. Construction in Progress

As of June 30, 2019, the School has recognized \$100,000 of the phase II build-out costs related to the leased property. All construction is expected to be in service by the end of September 2019. The School has no additional financial commitment on the phase II build-out, due to the lessor being liable for the remaining balance. The School had \$247,775 of construction in progress for the year ended June 30, 2018.

5. Line of Credit

During 2018, the School renewed the line of credit with ABC bank with a limit of \$100,000. The line of credit bears interest at the lender's cost of funds plus up to 2.50%, at the lender's discretion. The line matures June 19, 2020. The line is secured by the School's real estate. As of June 30, 2019 and 2018, the outstanding balances on the line of credit amounted to \$40,000 and \$0, respectively. The interest rate as of June 30, 2019 and 2018 was 5.25%. Interest expense on the line of credit amounted to \$5,000 for the year ended June 30, 2019.

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Notes Payable

During 2014, the School took out a mortgage with ABC bank in the amount of \$2,000,000. The loan matures on June 1, 2029 and bears a fixed interest at 5.225%. The loan is secured by the School's real estate. The loan requires monthly payments of principal of \$17,150, plus interest. Interest incurred on the loan for the year ended June 30, 2019 amounted to \$84,491. The loan balance amounted to \$1,655,000 and \$1,739,792 as of June 30, 2019 and 2018, respectively.

Future required principal payments on all outstanding debt as of June 30, 2019 are as follows:

Years Ending June 30,

| | | |
|--------------|-----------|------------------|
| 2020 | \$ | 125,000 |
| 2021 | | 130,000 |
| 2022 | | 140,000 |
| 2023 | | 155,000 |
| 2024 | | 168,000 |
| Thereafter | | 937,000 |
| Total | \$ | 1,655,000 |

7. Operating Leases

The School entered into a lease for a school facility beginning in July 2018. The lease term is for 60 months with monthly payments of \$7,000. The lease also contains an optional five-year renewal clause. Lease expense for the year ended June 30, 2019 amounted to \$84,000.

The School entered into a lease for a copier beginning in July 2018. The lease term is for 60 months with monthly payments of \$100. Lease expense for the year ended June 30, 2019 amounted to \$1,200.

Future minimum required lease payments are as follows:

Years Ending June 30,

| | | |
|--------------|-----------|----------------|
| 2020 | \$ | 85,200 |
| 2021 | | 85,200 |
| 2022 | | 85,200 |
| 2023 | | 85,200 |
| Total | \$ | 340,800 |

8. Net Assets Without Donor Restrictions – Board Designated

Net assets without donor restrictions - board designated net assets are available for the following purposes:

| | June 30, | |
|--|-----------------|-------------|
| | 2019 | 2018 |
| Board designated for specific purpose: | | |
| Fund balance reserve | \$ 20,000 | \$ --- |

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

9. Net Assets With Donor Restrictions

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

| | June 30, | |
|---|------------------|-------------------|
| | 2019 | 2018 |
| Subject to expenditure for specified purpose: | | |
| Computers | \$ 10,000 | \$ --- |
| Leasehold improvements | 67,225 | 267,225 |
| Total net assets with donor restrictions | \$ 77,225 | \$ 267,225 |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors as follows:

| | June 30, | |
|--|-------------------|--|
| | 2019 | |
| Satisfaction of purpose restrictions: | | |
| Computers | \$ --- | |
| Leasehold improvements | 200,000 | |
| Total net assets released from restrictions | \$ 200,000 | |

10. Concentrations

The School maintains cash balances at a Milwaukee area financial institution. Cash and cash equivalents are maintained at financial institutions, and at times, balances may exceed federally insured limits. The School has never experienced any losses related to these balances. Insurance coverage is \$250,000 per depositor at each financial institution.

11. Current Vulnerability Due to Certain Concentrations

Approximately 96% of the School's revenue during the year ended June 30, 2019 was received as a result of its participation in the Parental School Choice Program and the Food Program.

12. Contingencies

The School has received money from the Wisconsin Department of Public Instruction for specific purposes that are subject to review and audit by the Wisconsin Department of Public Instruction. Such audits could lead to requests for reimbursements to the Wisconsin Department of Public instruction.

SAMPLE SCHOOL OF SAMPLE CHURCH
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

13. Ineligible Depreciation Expense

The School's property and equipment in the statements of financial position included property that did not meet the requirements of Wis. Admin. Codes PI 35, 48 and 49. The School received contributed architect services of \$15,000, which was capitalized in building improvements on the statements of financial position. The property and equipment that did not meet the requirements are as follows for the years ending June 30:

| | <u>2019</u> |
|--------------------------------|-------------------------|
| Building improvements | \$ 15,000 |
| Less: Accumulated depreciation | <u>3,000</u> |
| Net book value | \$ <u>12,000</u> |

Depreciation and amortization expense for this property and equipment amounted to \$3,000 for the year ended June 30, 2019.

Sample School
Private School Choice Programs (PSCP) Reserve Balance Schedule
Year Ending June 30, 2019

| NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS | | | |
|---|---|--|---------------------|
| Line | A Line Description | B Non-Eligible Expenses & Offsetting Revenue | C Amount |
| 1 | Expenses on Statement of Activities | | \$ 2,668,921 |
| 2 | Ineligible Depreciation Expense | 3,000 | |
| 3 | Contributed Expenses Other Than Fixed Assets | 12,500 | |
| 4 | Bad Debt Expense | 100 | |
| 5 | Scholarship Awards & Other Financial Support for Pupils | 1,000 | |
| 6 | Daycare Expenses | - | |
| 7 | School District Partnership Expenses | - | |
| 8 | Church Expenses | - | |
| 9 | Eligible Education Expenses Exclusively for SNSP Pupils | 11,000 | |
| 10 | Other Non-Eligible Expenses | - | |
| 11 | Less: Total Non-Eligible Expenses | | \$ 27,600 |
| 12 | Add: Eligible Education Expense for Land | | 340,220 |
| 13 | Eligible Education Expenses | | \$ 2,981,541 |
| 14 | Government Assistance | 205,819 | |
| 15 | Fundraising Revenue | - | |
| 16 | Insurance Proceeds | - | |
| 17 | Less: Total Offsetting Revenue | | \$ 205,819 |
| 18 | Adjustments to Prior Year Net Eligible Education Expenses | | - |
| 19 | Net Eligible Education Expenses for All Pupils | | \$ 2,775,722 |
| PERCENTAGE OF PUPILS PARTICIPATING IN PSCP | | | |
| 20 | PSCP Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i> | | 302.90 |
| 21 | All Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i> | | 314.00 |
| 22 | Percentage of Pupils Participating in PSCP | | 96.46% |
| PSCP RESERVE BALANCE | | | |
| 23 | 2018-19 PSCP Revenue | | 2,280,837.00 |
| 24 | 2018 Summer School PSCP Revenue | | 50,260.00 |
| 25 | Total 2018-19 PSCP Revenue | | 2,331,097.00 |
| 26 | Add: June 30, 2018 PSCP Reserve Balance | | - |
| 27 | Less: Repayment of June 30, 2018 PSCP Reserve Balance | | - |
| 28 | Less: Net Eligible Education Expenses for PSCP Pupils <i>Line 19 times Line 22</i> | | 2,677,461.44 |
| 29 | June 30, 2019 PSCP Reserve Balance | | (346,364.44) |
| 30 | Plan for PSCP Reserve Required | | Not Required |
| REQUIRED CASH AND INVESTMENT BALANCE | | | |
| 31 | June 30, 2019 PSCP Reserve Balance <i>Line 29</i> | | (346,364) |
| 32 | June 30, 2019 SNSP Reserve Balance | | 914 |
| 33 | Less: Remaining Depreciation on Fixed Assets | | 1,909,750 |
| 34 | Less: Land Purchases that have not Been Included as Eligible | | - |
| 35 | Required Cash and Investment Balance | | \$ - |
| MANAGEMENT LETTER | | | |
| 36 | Did the auditor issue a management letter for the 2018-19 financial audit? If yes, submit with audit. | | Yes |

See independent auditors' report.

Sample School
Special Needs Scholarship Program (SNSP) Reserve Balance Schedule
Year Ending June 30, 2019

| NET ELIGIBLE EDUCATION EXPENSES EXCLUSIVELY FOR SNSP PUPILS | | | |
|---|---|--|---------------------|
| Line | A Line Description | B Non-Eligible Expenses & Offsetting Revenue | C Amount |
| 1 | Eligible Education Expenses Exclusively for SNSP Pupils | | \$ 11,000 |
| 2 | Government Assistance for Expenses in Line 1 | - | |
| 3 | Fundraising Revenue for Expenses in Line 1 | - | |
| 4 | Insurance Proceeds for Expenses in Line 1 | - | |
| 5 | Less: Total Offsetting Revenue for Expenses in Line 1 | | \$ - |
| 6 | Adjustments to Prior Year Net Eligible Education Expenses | | - |
| 7 | Net Eligible Education Expenses Exclusively for SNSP Pupils | | \$ 11,000 |
| NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS | | | |
| 8 | Expenses on Statement of Activities | | 2,668,921 |
| 9 | Ineligible Depreciation Expense | 3,000 | |
| 10 | Contributed Expenses Other Than Fixed Assets | 12,500 | |
| 11 | Bad Debt Expense | 100 | |
| 12 | Scholarship Awards & Other Financial Support for Pupils | 1,000 | |
| 13 | Daycare Expenses | - | |
| 14 | School District Partnership Expenses | - | |
| 15 | Church Expenses | - | |
| 16 | Eligible Education Expenses Exclusively for SNSP Pupils | 11,000 | |
| 17 | Other Non-Eligible Expenses | - | |
| 18 | Less: Total Non-Eligible Expenses | | \$ 27,600 |
| 19 | Add: Eligible Education Expense for Land | | 340,220 |
| 20 | Eligible Education Expenses | | \$ 2,981,541 |
| 21 | Government Assistance | 205,819 | |
| 22 | Fundraising Revenue | - | |
| 23 | Insurance Proceeds | - | |
| 24 | Less: Total Offsetting Revenue | | \$ 205,819 |
| 25 | Adjustments to Prior Year Net Eligible Education Expenses | | - |
| 26 | Net Eligible Education Expenses for All Pupils | | \$ 2,775,722 |
| PERCENTAGE OF PUPILS PARTICIPATING IN SNSP | | | |
| 27 | SNSP Pupil Average Full-Time Equivalent 3rd Friday Sept & 2nd Friday Jan Average FTE | | 3.50 |
| 28 | All Pupil Average Full-Time Equivalent 3rd Friday Sept & 2nd Friday Jan Average FTE | | 314.00 |
| 29 | Percentage of Pupils Participating in SNSP | | 1.11% |
| SNSP RESERVE BALANCE | | | |
| 30 | 2018-19 SNSP Revenue | | 42,725.00 |
| 31 | Add: June 30, 2018 SNSP Reserve Balance | | - |
| 32 | Less: Net Eligible Education Expenses Exclusively for SNSP Pupils Line 7 | | 11,000.00 |
| 33 | Less: Net Eligible Education Expenses for SNSP Pupils Line 26 times Line 29 | | 30,810.51 |
| 34 | June 30, 2019 SNSP Reserve Balance | | 914.49 |
| REQUIRED CASH AND INVESTMENT BALANCE | | | |
| 35 | June 30, 2019 SNSP Reserve Balance Line 34 | | 914 |
| 36 | June 30, 2019 PSCP Reserve Balance | | (346,364) |
| 37 | Less: Remaining Depreciation on Fixed Assets | | 1,909,750 |
| 38 | Less: Land Purchases that have not Been Included as Eligible | | - |
| 39 | Required Cash and Investment Balance | | \$ - |
| MANAGEMENT LETTER & SNSP EXCLUSIVE EXPENSES | | | |
| 40 | Did the auditor issue a management letter for the 2018-19 financial audit? If yes, submit with audit. | | Yes |
| 41 | Was an allocation used to determine the Eligible Education Expenses Exclusively for SNSP Pupils? | | No |

See independent auditors' report.