

MOUNT CALVARY LUTHERAN GRADE SCHOOL

FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

with

Independent Auditor's Reports

**M. L. THARPS & ASSOCIATES, LLC
1845 North Farwell Avenue
Milwaukee, Wisconsin 53202**

**MOUNT CALVARY LUTHERAN GRADE SCHOOL
JUNE 30, 2021 AND 2020**

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Certified Public Accountants

Management Consultants

Independent Auditor's Report

To the Board of Directors
Mount Calvary Lutheran Grade School

We have audited the accompanying financial statements of Mount Calvary Lutheran Grade School (a nonprofit organization) of Mount Calvary Lutheran Church, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Qualified Opinion

The accompanying financial statements exclude the historical cost and related accumulated depreciation for the land, school buildings and various improvements owned by the school. Due to the age of these assets, no definitive records of the historical cost of those fixed assets were available, and therefore those assets have not been included in the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Calvary Lutheran Grade School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on 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 Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48. In our opinion, the PSCP Reserve Balance schedule is free of material misstatements and fairly presents the private school’s eligible education expenses as required under Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021 on our consideration of Mount Calvary Lutheran Grade 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 Mount Calvary Lutheran Grade School's internal control over financial reporting and compliance.

M.L. Tharps & Associates, LLC

October 11, 2021
Milwaukee, Wisconsin

**MOUNT CALVARY LUTHERAN GRADE SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 380,637	\$ 552,474
Prepaid Expenses	-	30,416
Other Receivables	6,225	2,012
Total Current Assets	<u>386,862</u>	<u>584,902</u>
Fixed Assets:		
School Building	2,605,123	2,605,123
Building Improvements	298,473	62,856
Furniture and Fixtures	22,701	22,701
Building Equipment	14,141	14,141
Computer/Office Equipment	5,864	5,864
Educational Media	120,780	120,780
Less: Accumulated Depreciation	<u>(1,322,005)</u>	<u>(1,222,369)</u>
Net Fixed Assets	<u>1,745,077</u>	<u>1,609,096</u>
Total Assets	<u>\$ 2,131,939</u>	<u>\$ 2,193,998</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 452	\$ 1,506
Accrued Payroll and Taxes	44,526	4,156
Total Current Liabilities	<u>44,978</u>	<u>5,662</u>
Total Liabilities	44,978	5,662
Net Assets:		
With donor restrictions	-	-
Without donor restrictions	<u>2,086,961</u>	<u>2,188,336</u>
Total Net Assets	<u>2,086,961</u>	<u>2,188,336</u>
Total Liabilities and Net Assets	<u>\$ 2,131,939</u>	<u>\$ 2,193,998</u>

See accompanying notes to financial statements.

**MOUNT CALVARY LUTHERAN GRADE SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
Support and Revenue:						
Per Pupil Funding - MPCP	\$ -	1,325,925	1,325,925	\$ -	1,416,096	1,416,096
Extended Care Revenue	-	-	-	1,558	-	1,558
Food Service Revenue	-	13,391	13,391	-	126,331	126,331
Grants	-	20,237	20,237	15,291	-	15,291
Contributions	12,971	-	12,971	5,662	-	5,662
Fundraising	-	-	-	2,996	-	2,996
Interest	212	-	212	322	-	322
Other Income	3,142	-	3,142	2,976	-	2,976
Satisfaction of Restricted Net Assets	1,346,162	(1,346,162)	-	1,416,096	(1,416,096)	-
Total Support and Revenue	1,362,487	13,391	1,375,878	1,444,901	126,331	1,571,232
Expenses:						
Program Services						
Educational	1,330,959	-	1,330,959	1,301,409	-	1,301,409
Nutritional	21,840	13,391	35,231	3,795	126,331	130,126
Support Services						
Management & General	111,063	-	111,063	116,698	-	116,698
Total Expenses	1,463,862	13,391	1,477,253	1,421,902	126,331	1,548,233
Change in Net Assets	(101,375)	-	(101,375)	22,999	-	22,999
Net Assets at Beginning of Year	2,188,336	-	2,188,336	2,165,337	-	2,165,337
Net Assets at End of Year	\$ 2,086,961	-	2,086,961	\$ 2,188,336	-	2,188,336

See accompanying notes to financial statements.

MOUNT CALVARY LUTHERAN GRADE SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2021)

EXPENSES:	<u>Program Services</u>		Management & General	2021 Total	2020 Total
	Educational Services	Nutritional Services			
Salaries and Wages	605,329	22,759	94,470	722,558	729,007
Taxes and Benefits	273,148	1,728	14,170	289,046	305,366
Professional Services	93,094	-	-	93,094	98,849
Property Services	147,401	-	-	147,401	144,965
Supplies	103,512	10,591	2,423	116,526	163,918
Other Goods and Services	8,839	153	-	8,992	17,657
Depreciation	99,636	-	-	99,636	88,471
Total Expenses	<u>\$ 1,330,959</u>	<u>35,231</u>	<u>111,063</u>	<u>1,477,253</u>	<u>1,548,233</u>

See accompanying notes to financial statements.

**MOUNT CALVARY LUTHERAN GRADE SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (101,375)	\$ 22,999
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	99,636	88,471
(Increase) Decrease in Prepaid Expense	30,416	4,353
(Increase) Decrease in Other Receivable	(4,213)	(2,012)
Increase (Decrease) in Accounts Payable	(1,054)	(4,943)
Decrease in Accrued Payroll and Taxes	<u>40,370</u>	<u>(961)</u>
Net Cash Provided from Operating Activities	63,780	107,907
CASH FLOWS FROM INVESTING ACTIVITIES:		
Building Improvements	<u>(235,617)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
Change in Cash	(171,837)	107,907
Beginning Cash, Cash Equivalents and Restricted Cash	<u>552,474</u>	<u>444,567</u>
Ending Cash, Cash Equivalents and Restricted Cash	<u>\$ 380,637</u>	<u>\$ 552,474</u>
Interest Paid	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements.

Mount Calvary Lutheran Grade School
Notes to Financial Statements
June 30, 2021 and 2020

1. Operating Structure

Mount Calvary Lutheran Grade School (the “School”) of Mount Calvary Lutheran Church is organized as a 501(c) 3 not for profit entity. The School began operations in 1925 and provides instruction for children in grades kindergarten through 8. The School began participating in the Private School Choice Program (Choice or PSCP) in 1998. The School is located at 2862 N. 53rd St. in Milwaukee, Wisconsin. The School’s operating organization is Mount Calvary Lutheran Church.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities.

Property, Equipment and Depreciation

The School capitalizes individual items that have a useful life greater than one year with a cost over \$1,000 when acquired. Lesser amounts are expensed. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method based on the estimated useful lives of the respective assets.

Estimates

In conformity with generally accepted accounting principles, management makes estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Deferred Revenue

Income from student tuition is deferred and recognized in the periods that the tuition relates.

Cash and Cash Equivalents

The School considers all checking, savings and money market accounts and all other highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited or restricted.

Donated Goods and Services

Individuals and other groups contribute materials and services toward the fulfillment of programs initiated by the School. No amounts have been reflected in the financial statements for donated materials or services, because the amounts involved are either de minimis or no objective basis is available to measure their value. However, a substantial number of volunteers have donated significant amounts of time to the School's programs.

Income Taxes

The School's operating organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code.

The operating organization has evaluated for uncertain tax positions. Management has determined there are no uncertain tax positions as of June 30, 2021 .

3. Deferred Revenue

Income from student tuition is deferred and recognized in the periods that the tuition relates.

4. Concentrations

The School maintains cash balances at BMO Harris Bank. 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 reverted to \$250,000 per depositor at each financial institution.

During the current year, the School received approximately 90% of its revenue from the Choice Program.

5. Litigation

As of the date of the audit opinion the School had no pending litigation and has not paid any money related to litigation in the last School year.

6. Line of Credit

On December 15, 2014 the School obtained a line of credit with BMO Harris Bank for \$250,000 with a variable interest rate that is due on demand. As of June 30, 2021 and June 30, 2020, there was no outstanding balance on this line of credit.

7. Operating Lease

The School entered into a lease with Canon Financial Solutions for a copier beginning in March 2019. The lease requires monthly payments of \$735 and expires on June 15, 2022. For the year ended June 30, 2021 and 2020, the lease expense was \$10,346 and \$10,738, respectively.

LHSAGM has assumed all future liabilities for this lease per their agreement with the School starting July 1, 2021.

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

<u>Description</u>	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$380,637	552,474
Receivables	<u>6,225</u>	<u>2,012</u>
	<u>\$386,862</u>	<u>\$554,486</u>

9. Cash, Cash Equivalents and Restricted Cash

The following table provides reconciliation of cash, cash equivalents, and restricted cash reported with the statement of financial position that sum to the amounts shown in the statement of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$380,637	552,474
Restricted Cash & Cash Equivalents	<u>-</u>	<u>-</u>
	<u>\$380,637</u>	<u>552,474</u>

10. Subsequent Events

1. The School's operating organization Mount Calvary Evangelical Lutheran Church (MCLC) entered into an Asset Purchase Agreement with The Lutheran High School Association of Greater Milwaukee (LHSAGM) effective July 1, 2021, in order for LHSAGM to operate Mount Calvary Evangelical Lutheran School (MCLS) beginning with the 2021-22 school year. The Asset Purchase Agreement included all Supplies, Accounts Receivable, Prepaid Assets, Personal Property, Contracts, and Trade Payables of MCLS. All Real Property is retained by MCLC. The Asset Purchase Agreement required MCLS provide to LHSAGM working capital for trade payables and faculty compensation in the amount of \$150,000 is due July 1, 2021.

Effective July 1, 2021, LHSAGM and MCLC entered into a School Lease Agreement, whereby LHSAGM is leasing 30,856 square feet of building space from MCLC for the purposes of school operations. The School Lease Agreement has a three (3) year initial lease term for \$1.00 per square foot plus common area maintenance with annual options to extend the lease thereafter. Rent payments commence six (6) months after lease inception with the first six (6) months rent free. The School Lease Agreement includes a profit-sharing arrangement whereby MCLC may receive up to 10% of cash basis profit for a school year beginning with the school year 2021-22 to be paid six months after completion of the school year.

2. Management of the School has evaluated all subsequent events through October 11, 2021, the issuance date of the financial statements, for possible inclusion as a disclosure in the financial statements. The School has no subsequent events that require disclosure.

Mount Calvary Lutheran School - Milwaukee

Private School Choice Programs (PSCP) Reserve Balance for Standard Financial Audits

Year Ending June 30, 2021

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS		
Line	A Line Description	B Amount
1	Expenses on Statement of Activities	\$ 1,477,253
2	Ineligible Depreciation Expense	
3	Contributed Expenses Other Than Fixed Assets	
4	Bad Debt Expense	
5	Scholarship Awards & Other Financial Support for Pupils	
6	Daycare Expenses	
7	School District Partnership Expenses	
8	Church Expenses	
9	Eligible Education Expenses Primarily for SNSP Pupils	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	
11	Other Non-Eligible Expenses	
12	Less: Total Non-Eligible Expenses	\$ -
13	Add: Eligible Education Expense for Land	
14	Eligible Education Expenses	\$ 1,477,253
15	Government Assistance Excluding Forgiven PPP Loans	13,391
16	Fundraising Revenue	-
17	Insurance Proceeds	
18	Less: Total Offsetting Revenue	\$ 13,391
19	Adjustments to Prior Year Net Eligible Education Expenses	
20	Net Eligible Education Expenses for All Pupils	\$ 1,463,862
PERCENTAGE OF PUPILS PARTICIPATING IN PSCP		
21	PSCP Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>	159.75
22	All Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>	164.25
23	Percentage of Pupils Participating in PSCP	97.26%
PSCP RESERVE BALANCE		
24	2020-21 PSCP Revenue	1,325,925
25	2020 Summer School PSCP Revenue	-
26	Total 2020-21 PSCP Revenue	\$ 1,325,925
27	Less: Net Eligible Education Expenses for PSCP Pupils <i>Line 20 times Line 23</i>	1,423,752
28	Add: June 30, 2020 PSCP Reserve Balance	(185,845)
29	Less: Repayment of June 30, 2020 PSCP Reserve Balance	-
30	June 30, 2021 PSCP Reserve Balance	\$ (283,672)
31	Plan for PSCP Reserve Required	Not Required
REQUIRED CASH AND INVESTMENT BALANCE		
32	June 30, 2021 PSCP Reserve Balance <i>Line 30</i>	(283,672)
33	June 30, 2021 SNSP Reserve Balance	
34	Less: Remaining Depreciation on Fixed Assets	1,745,077
35	Less: Land Purchases that have not Been Included as Eligible	
36	Less: EANS & ERC June 30, 2021 Receivables Used for Educational Programming Expenses	
37	Required Cash and Investment Balance	\$ -

***SUPPLEMENTAL INFORMATION IN ACCORDANCE WITH THE
GOVERNMENTAL AUDITING STANDARDS***

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

To the Board of Directors
Mount Calvary Lutheran Grade School

We have audited, 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, the financial statements of the Mount Calvary Lutheran Grade School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mount Calvary Lutheran Grade School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mount Calvary Lutheran Grade School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mount Calvary Lutheran Grade 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

M.L. Tharps & Associates, LLC

Milwaukee, Wisconsin

October 11, 2021

**MOUNT CALVARY LUTHERAN GRADE SCHOOL
SUMMARY OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	___ Yes	___X___ None reported
Significant deficiencies identified?	___ Yes	___X___ None reported
Noncompliance material to financial statements noted?	___ Yes	___X___ No

Findings - Financial Statement Audit

None

Other Issues

1. Does the auditor have substantial doubt about the auditee's ability to continue as a going concern? No
2. Was a Management Letter or other document conveying audit comments issued as a result of this audit? No

3. Signature of Partner



Rupesh Gupta

4. Date of Report

October 11, 2021