

LAKE COUNTRY CLASSICAL ACADEMY, INC.
Oconomowoc, Wisconsin

Audited Financial Statements

Year Ended June 30, 2023

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Independent Auditors' Report

The Board of Directors
Lake Country Classical Academy, Inc.
Milwaukee, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lake Country Classical Academy (a nonprofit organization) ("LCCA"), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses and cash flows for the year ended June 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of LCCA as of June 30, 2023, and the changes in its net assets and its cash flows for the year ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LCCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards or an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LCCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LCCA's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The information listed in the table of contents as other supplementary information is presented for purposes of additional analysis as required by the *Wisconsin 2r Charter School Audit Manual issued by the Wisconsin Department of Public Instruction* and are also not a required part of the financial statements. The financial information listed in the table of contents as supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of LCCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCCA's internal control over financial reporting and compliance.

December 14, 2023
Milwaukee, Wisconsin

Lake County Classical Academy, Inc.

Oconomowoc, Wisconsin

Statement of Financial Position

June 30, 2023

Assets:

Cash and cash equivalents	\$	1,680,764
Investments		2,463
Grants receivable, net		118,866
Security deposits		29,834
Operating right-of-use asset		1,172,442
Financing right-of-use asset, net		16,104
Property and equipment, net		561,590
Total assets	\$	3,582,063

Liabilities:

Payroll and other related liabilities	\$	280,248
Operating lease liability		1,119,927
Financing lease liability		16,353
Unearned revenue		71,189
Notes payable, net of loan closing costs		369,311
Total liabilities		1,857,028

Net Assets:

Without donor restriction:

Board designated		12,383
Undesignated		1,712,652
Total without donor restriction		1,725,035
Total liabilities and net assets	\$	3,582,063

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

Lake County Classical Academy, Inc.
Oconomowoc, Wisconsin

Statement of Activities
For the Year Ended June 30, 2023

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Revenue:			
Federal, state and other government awards	\$ 5,355,713	\$ ---	\$ 5,355,713
Contributions of cash and other financial assets	194,215	---	194,215
Contributions of nonfinancial assets	27,500	---	27,500
School activity income	63,331	---	63,331
Student fees and fines	65,236	---	65,236
Rental income	370	---	370
Special events:			
Gross special event revenue	515,306	---	515,306
Less direct benefit to donor	(58,218)	---	(58,218)
Net special event revenue	457,088	---	457,088
Interest income	295	---	295
Miscellaneous	100	---	100
Net assets released from restriction	73,285	(73,285)	---
Total revenue	6,237,133	(73,285)	6,163,848
Expenses:			
Program services	4,649,840	---	4,649,840
Management and general	800,237	---	800,237
Fund-raising	30,218	---	30,218
Total expenses	5,480,295	---	5,480,295
Change in net assets	756,838	(73,285)	683,553
Net assets - beginning of year	968,197	73,285	1,041,482
Net assets - end of year	\$ 1,725,035	\$ ---	\$ 1,725,035

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

Lake County Classical Academy, Inc.
Oconomowoc, Wisconsin

Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program</u>			<u>Management and General</u>	<u>Fund-raising</u>	<u>Direct Benefit to Donor</u>	<u>Total</u>
	<u>Instruction</u>	<u>Instructional Support</u>	<u>Total Program</u>				
Expenses:							
Salaries	\$ 2,011,794	\$ 655,506	\$ 2,667,300	\$ 145,501	\$ ---	\$ ---	\$ 2,812,801
Benefits and taxes	538,486	165,863	704,349	52,149	---	---	756,498
Accounting	---	---	---	102,673	---	---	102,673
Advertising	---	---	---	6,882	---	---	6,882
Amortization on financing right of use asset	16,104	---	16,104	---	---	---	16,104
Apparel	280	2,226	2,506	50	---	---	2,556
Communication	---	1,953	1,953	15,246	---	---	17,199
Contracted services	7,981	2,257	10,238	16,229	---	---	26,467
Depreciation and amortization on property and equipment	240,050	---	240,050	---	---	---	240,050
Dues and fees	1,670	399	2,069	141,921	---	---	143,990
General supplies	34,464	6,072	40,536	66,081	10,741	---	117,358
Information technology	7,065	4,340	11,405	103,676	6,095	---	121,176
Insurance	---	---	---	32,619	---	---	32,619
Interest expense	---	---	---	8,922	---	---	8,922
Interest on financing right of use lease	---	---	---	732	---	---	732
Loan fees	---	---	---	7,500	---	---	7,500
Occupancy	388,194	388,194	776,388	17,886	9,200	---	803,474
Media and non-capitalized equipment	56,497	66	56,563	11,060	1,184	---	68,807
Payment to municipalities	---	1,230	1,230	---	---	---	1,230
Purchased services	59,005	57,231	116,236	43,485	2,998	58,218	220,937
Travel	---	3,176	3,176	125	---	---	3,301
Gain on disposal of assets	(263)	---	(263)	---	---	---	(263)
Utilization of nonfinancial assets	---	---	---	27,500	---	---	27,500
Total expenses by function	3,361,327	1,288,513	4,649,840	800,237	30,218	58,218	5,538,513
Less expenses included with revenues on the statement of activities	---	---	---	---	---	(58,218)	(58,218)
Total expenses included with expenses on the statement of activities	\$ 3,361,327	\$ 1,288,513	\$ 4,649,840	\$ 800,237	\$ 30,218	\$ ---	\$ 5,480,295

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

Lake County Classical Academy, Inc.

Oconomowoc, Wisconsin

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Change in net assets	\$ 683,553
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization on property and equipment	240,050
Amortization of finance right-of-use assets	16,104
Gain on disposal of property and equipment	263
Changes in assets and liabilities:	
Grants receivable	147,506
Promises to give, net	73,285
Prepaid expenses	16,362
Inventory	71,170
Operating lease asset and liability	(52,515)
Accounts payable	(76,300)
Accrued interest payable	(1,688)
Payroll and other related liabilities	139,578
Unearned revenue	14,629
	<hr/>
Net cash and cash equivalents provided by operating activities	1,271,997
Cash Flows From Investing Activities:	
Purchases of property and equipment	(299,700)
Purchases of investments	(2,463)
	<hr/>
Net cash and cash equivalents used by investing activities	(302,163)
Cash Flows From Financing Activities:	
Proceeds on loans	400,000
Payments on loans	(280,483)
Payments on financing leases	(16,587)
	<hr/>
Net cash and cash equivalents provided by financing activities	102,930
Net change in cash and cash equivalents	1,072,764
Cash and Cash Equivalents - Beginning of year	608,000
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Cash and Cash Equivalents - End of year	\$ 1,680,764
	<hr/> <hr/>
Supplemental Cash Flow Information:	
Proceeds on sale of stock donations	\$ 2,169
Cash paid for interest	\$ 10,610
	<hr/> <hr/>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 511,743
Operating cash flows from financing leases (i.e. interest)	\$ 689
Financing cash flows from financing leases (i.e. principal portion)	\$ 15,897
Noncash Items:	
Operating right-of-use assets obtained in exchange for lease obligations	\$ 427,211

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

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies

A. Nature of Activities

Lake Country Classical Academy, Inc. ("LCCA") is a nonprofit charter school whose purpose is to train the minds and improve the hearts of young people through a content-rich, classical education in the liberal arts and sciences, with instruction in the principles of moral character and civic virtue. LCCA addresses the real need for tuition-free, high-quality, teacher-led education for grades K-12.

B. Basis of Accounting

The financial statements of LCCA have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. For internal purposes, LCCA uses fund basis accounting.

C. Financial Statement Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LCCA and changes therein are classified and reported as follows:

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-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. LCCA has no net assets to be held in perpetuity.

D. Use of Estimates in the Preparation of Financial Statements

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("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.

During 2023, management determined the average useful life of leasehold improvements should coincide with the projected years of leasing the building; therefore, LCCA changed the leasehold improvement useful years from 38 remaining years to 3 remaining years. The effect of this change was an increase in accumulated depreciation, an increase in depreciation and a decrease in net assets without donor restriction of approximately \$200,000.

E. Income Tax Status

LCCA is an 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. LCCA 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.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Income Tax Status (Continued)

LCCA 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 disclosure required. Management of LCCA evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. LCCA recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense. LCCA does not anticipate any income tax liability.

F. Cash and Cash Equivalents

LCCA defines its cash and cash equivalents to include only cash on hand and demand deposits.

G. Investment Valuation and Income Recognition

The Financial Accounting Standards Board (“FASB”) provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LCCA has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

G. Investment Valuation and Income Recognition (Continued)

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Interest income realized gains and losses and unrealized appreciation and depreciation of LCCA's assets are reported in the statement of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although LCCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

H. Grants Receivable

Grants receivable are recorded at contract value, less management's estimate of uncollectible receivables. Management believes all of these amounts are collectible; therefore, no provisions for uncollectible accounts were recorded. Grants receivable consist primarily of funds due from various governmental entities. Grants receivable represent consideration from state and local government agencies, of which LCCA has an unconditional right to receive.

I. Promises to Give

Promises to give are recorded at their estimated fair value. No allowance for uncollectible promises or discount rate has been provided since management believes that such allowance would not be material. There were no promises to give for the year ended June 30, 2023.

J. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory consists of noncapital items acquired for initial use in subsequent fiscal periods. There were no inventory purchases for the year ended June 30, 2023.

K. Property and Equipment

Property and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation and amortization of property and equipment is provided on a straight-line basis over the estimated useful life of the assets ranging from three to forty years. LCCA capitalizes all expenditures of land, buildings, leasehold improvements and equipment in excess of \$5,000. Depreciation and amortization expense for the year ended June 30, 2023 was \$240,050.

L. Unearned Revenue

Income from student fees for the subsequent year are received in advance is deferred and recognized over the period to which the student fee or sponsored events relate.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

M. Leases

LCCA leases its laptops, copiers, facilities and parking lots and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on LCCA's statement of financial position. Finance leases are included in finance lease ROU assets and finance lease liabilities on LCCA's statement of financial position.

LCCA has elected the short-term lease exemption for the parking lot lease that expired in June 2023. Parking lot lease expense, included in the occupancy line in the statement of functional expenses, in the amount of \$4,625 was paid by LCCA for year ended June 30, 2023.

The weighted-average discount rate is based on the discount rate implicit in the leases. LCCA has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

ROU assets represent LCCA's right to use an underlying asset for the lease term and lease liabilities represent LCCA's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. LCCA's lease terms may include options to extend or terminate the lease when it is reasonably certain that LCCA will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

N. Revenue Recognition

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

- **School activity income** – Recognized at the time LCCA collects fees for a student activity.
- **Student fees and fines**– Recognized in the year the fee and fine is attributed to.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. Revenue Recognition (Continued)

Revenue from non-exchange transactions consist of the following:

- **Contributions of cash and promises to give** - received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. 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 that are originally restricted by the donor and for which the restriction is met in the same time-period are recorded as revenue without donor restrictions. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized at prime interest rate and is reported as contribution revenue. Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional. LCCA has conditional promises to give that requires certain matching requirements. See Footnote 11 for additional disclosures on the conditional promises to give.
- **Contributions of nonfinancial assets** - donated property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.
- **Federal, state and other government awards** – Federal, state and other government awards are conditional upon the incurrence of allowable qualifying expenses. Revenue from Charter School Aid is recorded based on membership count. All remaining federal, state and other government awards is recorded as allowable qualifying expenses incur.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

- **Special event revenue** – Gross special events revenue includes contributions for the events and fees charged to participants. The cost of direct benefits to donors are subtracted from this amount to arrive at net special event revenue.

O. Allocation of Functional Expenses

The statement of activities presents the natural classification detail of expenses by function. Occupancy expenses are allocated based on square footage. All remaining expenses within the statement of activities are direct expenses and therefore no allocation of expenses between program and supporting services is deemed necessary.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

P. Advertising

Advertising costs are expensed as incurred. Advertising costs were \$6,882 for the year ended June 30, 2023.

Q. Recently Adopted Accounting Guidance – Adoption of ASC 842

Effective July 1, 2022 LCCA adopted FASB ASC 842, Leases, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

LCCA elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. LCCA also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

As a result of the adoption of the new lease accounting guidance, LCCA recognized on July 1, 2022 a finance lease liability at the carrying amount of the financing lease obligations on June 30, 2022, of \$32,208 which represents the present value of the remaining financing lease payments of \$33,173, discounted using the risk-free rate of 3.10%, and a finance ROU asset at the carrying amount of the financing lease asset of \$32,208. LCCA also recognized on July 1, 2022 an operating lease liability of \$1,288,135, which represents the present value of the remaining operating lease payments of \$1,343,885, discounted using the risk-free rate of 2.85%, and a ROU asset of \$1,288,135 as of July 1, 2022. Results for years beginning prior to July 1, 2022 continue to be reported in accordance with LCCA's historical accounting treatment. The adoption of FASB ASC 842 had a material impact on LCCA's statement of financial position but did not have a material impact on LCCA's statement of activities or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

R. Subsequent Events

LCCA has evaluated subsequent events for potential recognition and/or disclosure in the financial statements through the date that the financial statements were available to be issued (December 14, 2023). Subsequent to year-end:

- Effective July 1, 2023, LCCA charter authorizer changed to the Waukesha County Executive
- LCCA extended their line of credit agreement. See Note 6 for additional information
- LCCA is in preliminary stages of negotiations for financing property for the new one-site campus
- LCCA began payments on an additional mobile lease agreement

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2023

(Continued)

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 financial position date, comprise of the following at June 30, 2023:

Cash and cash equivalents	\$	1,680,764
Investments		2,463
Grants receivable, net		118,866
Total financial assets		1,802,093
Less student activity board designated net assets		(12,383)
Financial assets available to meet obligations within one year	\$	1,789,710

LCCA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The line of credit discussed in Note 6 has no balance as of June 30, 2023 and, therefore it is not considered necessary to deduct from the balance.

3. Investments

The following summarizes the classification of investments by classification and method of valuation in accordance with the requirements of U.S. GAAP for the as of June 30, 2023:

<u>Type</u>	<u>Fair Value</u>			<u>Total</u>
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	
Exchange traded funds	\$ 2,463	\$ ---	\$ ---	\$ 2,463

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2023:

Leasehold improvements	\$	757,709
Equipment		39,695
Website development		11,400
Total		808,804
Less accumulated depreciation and amortization		(247,214)
Net	\$	561,590

5. Unearned Revenue

Unearned revenue consists of the following as of June 30:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Student fees	\$ 71,189	\$ 44,524
Special events	---	12,036
Total	\$ 71,189	\$ 56,560

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

6. Line of Credit

A line of credit in the amount of \$500,000 was dated July 1, 2022 and matured August 31, 2023, at the prime variable interest rate plus 1.00% and shall not be less than 6.50%. Interest rate as of June 30, 2023 was 7.50%. Loan closing fees for the year ended June 30, 2023 was \$7,500. There were no draws or interest charged on the line of credit for the year ended June 30, 2023. The line of credit is secured by a general business assets.

Subsequent to year end, LCCA extended their \$500,000 line of credit dated August 31, 2023 and due August 31, 2024, at the prime variable interest rate plus 1.00% and shall not be less than 6.50%.

7. Notes Payable

Activity on notes payable of LCCA are as follows:

<u>Type</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Promissory Note	\$ 100,000	\$ ---	\$ 100,000	\$ ---	\$ ---
Promissory Note	100,000	---	100,000	---	---
Promissory Note	25,000	---	25,000	---	---
Promissory Note	25,000	---	25,000	---	---
Loan	---	400,000	23,325	376,675	72,394
Total	\$ 250,000	\$ 400,000	\$ 273,325	\$ 376,675	\$ 72,394

Additional information on notes payable are as follows:

<u>Type</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Related</u> <u>Party</u>	<u>Relationship</u>
Promissory Note	0.00%	5/15/2023	No	N/A
Promissory Note	0.15%	12/31/2022	No	N/A
Promissory Note	6.00%	12/15/2022	Yes	Board member
Promissory Note	4.00%	12/31/2022	Yes	Board member
Loan	5.95%	02/15/2028	No	N/A

LCCA recognized a loan cost in the amount of \$9,000. The loan cost will be amortized to interest expense over the life of the loan. Amortization expense included in interest expense amounted to \$1,636 for the year ended June 30, 2023.

Promissory notes and loans are unsecured. Interest expense for the year ended June 30, 2023 was \$7,286. The promissory and term notes are for general operations.

The following is the minimum principal payment due on the loan payable for the years ending June 30:

	<u>Principal</u>	<u>Loan</u> <u>Cost</u>	<u>Total</u>
2024	\$ 72,394	\$ (1,636)	\$ 70,758
2025	76,821	(1,636)	75,185
2026	81,518	(1,636)	79,882
2027	86,503	(1,636)	84,867
2028	59,439	(820)	58,619
Total	\$ 376,675	\$ (7,364)	369,311

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2023

(Continued)

8. Leases

LCCA has operating leases for copiers and building facilities and finance leases for laptops. LCCA has remaining lease terms of 1 to 3 years.

In the statement of functional expenses, operating lease expense is included in the statement as occupancy and laptop finance lease expenses is included in supplies and equipment. The components of lease expense were as follows:

Operating lease costs	\$	581,131
Short-term lease costs		4,625
Variable lease costs		10,000
Finance lease costs:		
Amortization of right-of-use asset		16,104
Interest on lease liabilities		732
Total finance lease costs		16,836
Total	\$	612,592

The weighted average remaining lease term and weighted average discount rate as of June 30, 2023 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Weighted average remaining lease term	2.03 years	1.00 years
Weighted average discount rate	2.91%	3.10%

The maturities on lease liabilities at June 30, 2023 are as follows:

	<u>Operating Leases</u>		<u>Finance Leases</u>
2024	\$ 563,875	\$	16,587
2025	573,175		---
2026	14,992		---
Total undiscounted cash flows	1,152,042		16,587
Less present value discount	(32,115)		(234)
Total lease liabilities	\$ 1,119,927	\$	16,353

9. Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2023:

Board designated – student activity	\$	12,383
Undesignated		1,712,652
Total	\$	1,725,035

There were no net assets with donor restrictions as of June 30, 2023.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

10. Contributed Nonfinancial Assets

Contributed nonfinancial assets of non-cash supplies and services are recorded as revenue and expenses at their fair value. Contributed 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. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses, receivables or as additions to property and equipment. The statement of activities includes the following contributed nonfinancial assets recognized by category for the year ended June 30, 2023:

<u>Type</u>	<u>Revenue</u>	<u>Utilization in Program/Activities</u>	<u>Donor Restrictions</u>
Professional services	\$ 27,500	Administrative	None

LCCA used the following valuation techniques and inputs to recognize contributed nonfinancial assets:

Professional services – Valued at the estimated fair value based on retail rates for similar services.

LCCA 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.

11. Conditional Promises to Give

LCCA has conditional promises to give that requires certain matching requirements. Activity on the conditional promise to give is as follows for the year ended June 30, 2023:

<u>Type</u>	<u>Present Value Discount %</u>	<u>Conditional Amount</u>	<u>Previously Recognized</u>	<u>Current Recognized</u>	<u>Present Value Discount</u>	<u>Balance June 30, 2023</u>
Phase I	N/A	\$ 250,000	\$ 183,015	\$ 66,985	---	\$ ---
Phase II	N/A	250,000	---	---	---	250,000
Total		<u>\$ 500,000</u>	<u>\$ 183,015</u>	<u>\$ 66,985</u>	<u>\$ ---</u>	<u>\$ 250,000</u>

Matching requirements and restrictions on LCCA's conditional promises to give are as follows:

Phase I – Match requirement only. There are no donor-imposed restrictions.

Phase II – Match requirement. All funds received and raised to meet match requirement will be restricted for the future capital campaign.

Long-term conditional promises to give are discounted to present value using the average borrowing rate for the fiscal year the pledge was received.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2023

(Continued)

12. Special Events

Special event activities are netted on the statement of activities. Gross special event revenues and expenses for the year ended June 30, 2023 is as follows:

Special event revenue - contributions	\$	459,679
Special event revenue – sponsorships		26,000
Special event revenue – ticket sales		29,627
Total revenue		515,306
Less cost of direct benefit to donors		(58,218)
Special event revenue, net		457,088
Less other non-direct expenses		(30,218)
Special events, net	\$	426,970

13. Revenue

Revenue, disaggregated by type, consists of the following for the year ended June 30, 2023:

Exchange:		
School activity income	\$	63,331
Student fees and fines		65,236
Total exchange		128,567
Nonexchange:		
Federal, state and other government awards		5,355,713
Contributions of cash and other financial assets		194,215
Contributions of nonfinancial assets		27,500
Total nonexchange		5,577,428
Rental income		370
Special event, net		457,088
Miscellaneous		395
Total revenue	\$	6,163,848

14. Related Party Transactions

As disclosed in Note 7, LCCA has multiple unsecured promissory notes with members of the board of directors. Management has determined that any forgiven interest is immaterial to the financial statements, both individually and in the aggregate. There were no balances on related party liabilities for the year ended June 30, 2023.

15. Employee Retirement Plan

LCCA offers a 403(b) retirement plan where employees may elect to defer the maximum allowed by the Internal Revenue Service. LCCA may make discretionary contributions to be allocated to all eligible employees. LCCA contributed \$23,767 to the plan for the year ended June 30, 2023.

16. Concentrations

LCCA received \$4,673,688 in revenue from one grant from the Wisconsin Department of Public Instruction during the year ended June 30, 2023 which represented 76% of total operating revenue.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

17. Commitments and Contingencies

LCCA has received state and federal funds for specific purposes. Such funds are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes all compliance requirements have been met.

LCCA's financial instruments are exposed to concentrations of credit risk consisting of cash. LCCA maintains its cash with three financial institutions. The total cash balances of LCCA are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. LCCA held cash throughout the year which, at times, exceeded the balance insured by the FDIC. LCCA monitors such credit risk and has not experienced any losses related to such risks.

LCCA's investments are exposed to various risks of loss, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

Lake County Classical Academy, Inc.
Oconomowoc, Wisconsin

Statement of Financial Position by Fund
June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Property and Equipment Fund</u>	<u>Eliminations</u>	<u>Total</u>
Assets:							
Cash and cash equivalents	\$ 1,269,966	\$ ---	\$ 43,123	\$ 367,675	\$ ---	\$ ---	\$ 1,680,764
Investments	2,463	---	---	---	---	---	2,463
Grants receivable, net	107,309	---	11,557	---	---	---	118,866
Due from other funds	2,573	---	---	---	---	(2,573)	---
Security deposits	29,834	---	---	---	---	---	29,834
Operating right to use asset	1,172,442	---	---	---	---	---	1,172,442
Financing right of use asset, net	16,104	---	---	---	---	---	16,104
Property and equipment, net	---	---	---	---	561,590	---	561,590
Total assets	\$ 2,600,691	\$ ---	\$ 54,680	\$ 367,675	\$ 561,590	\$ (2,573)	\$ 3,582,063
Liabilities:							
Payroll and other related liabilities	\$ 225,568	\$ ---	\$ 54,680	\$ ---	\$ ---	\$ ---	\$ 280,248
Operating lease liability	1,119,927	---	---	---	---	---	1,119,927
Financing lease liability	16,353	---	---	---	---	---	16,353
Due to other funds	---	2,573	---	---	---	(2,573)	---
Unearned revenue	71,189	---	---	---	---	---	71,189
Notes payable, net of loan closing costs	---	---	---	369,311	---	---	369,311
Total liabilities	1,433,037	2,573	54,680	369,311	---	(2,573)	1,857,028
Fund Balance (deficits):							
Without donor restriction:							
Undesignated	1,167,654	(14,956)	---	(1,636)	561,590	---	1,712,652
Board designated	---	12,383	---	---	---	---	12,383
Total without donor restriction	1,167,654	(2,573)	---	(1,636)	561,590	---	1,725,035
Total liabilities and fund balance (deficit)	\$ 2,600,691	\$ ---	\$ 54,680	\$ 367,675	\$ 561,590	\$ (2,573)	\$ 3,582,063

See Independent Auditors' Report.

Lake County Classical Academy, Inc.
Oconomowoc, Wisconsin

Statement of Activities by Fund
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Property and Equipment Fund</u>	<u>Total</u>
Revenue:						
Federal, state and other government awards	\$ 5,098,271	\$ ---	\$ 257,442	\$ ---	\$ ---	\$ 5,355,713
Contributions of cash and other financial assets	193,915	300	---	---	---	194,215
Contributions of nonfinancial assets	27,500	---	---	---	---	27,500
School activity income	500	62,831	---	---	---	63,331
Student fees and fines	65,236	---	---	---	---	65,236
Rental income	370	---	---	---	---	370
Special events:						
Gross special event revenue	515,306	---	---	---	---	515,306
Less direct benefit to donor	(58,218)	---	---	---	---	(58,218)
Net special event revenue	457,088	---	---	---	---	457,088
Interest income	295	---	---	---	---	295
Miscellaneous	---	---	100	---	---	100
Total revenue	5,843,175	63,131	257,542	---	---	6,163,848
Expenses:						
Salaries	2,326,599	12,310	473,892	---	---	2,812,801
Benefits and taxes	656,151	1,151	99,196	---	---	756,498
Accounting	102,673	---	---	---	---	102,673
Advertising	6,882	---	---	---	---	6,882
Amortization on financing right of use asset	16,104	---	---	---	---	16,104
Apparel	2,276	280	---	---	---	2,556
Communication	17,199	---	---	---	---	17,199
Contracted services	18,311	---	8,156	---	---	26,467
Depreciation	---	---	---	---	240,050	240,050
Dues and fees	142,905	1,085	---	---	---	143,990
General supplies	113,890	1,409	2,059	---	---	117,358
Information technology	114,410	---	6,766	---	---	121,176
Insurance	32,619	---	---	---	---	32,619
Interest expense	---	---	---	8,922	---	8,922
Interest on financing right of use lease	732	---	---	---	---	732
Loan fees	7,500	---	---	---	---	7,500
Occupancy	803,474	---	---	---	---	803,474
Media and non-capitalized equipment	67,867	876	64	---	---	68,807
Payment to municipalities	230	1,000	---	---	---	1,230
Purchased services	118,728	37,805	6,186	---	---	162,719
Travel	3,301	---	---	---	---	3,301
Gain on disposal of assets	---	---	---	---	(263)	(263)
Utilization of nonfinancial assets	27,500	---	---	---	---	27,500
Total expenses	4,579,351	55,916	596,319	8,922	239,787	5,480,295
Transfers:						
Transfer to special education fund	(338,777)	---	338,777	---	---	---
Transfer to debt service fund	(7,286)	---	---	7,286	---	---
Transfer to fixed asset fund	(230,055)	---	---	---	230,055	---
Total transfers	(576,118)	---	338,777	7,286	230,055	---
Change in fund balance	687,706	7,215	---	(1,636)	(9,732)	683,553
Fund balance (deficit), beginning of year	479,948	(9,788)	---	---	571,322	1,041,482
Fund balance (deficit), end of year	\$ 1,167,654	\$ (2,573)	\$ ---	\$ (1,636)	\$ 561,590	\$ 1,725,035

See Independent Auditors' Report.

Lake County Classical Academy, Inc.
Oconomowoc, Wisconsin

Schedule of Expenditures of Federal, State and Other Awards
For the Year Ended June 30, 2023

<u>Federal Awards</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number(s)</u>	<u>Grant Expenditures</u>	<u>Subrecipient Awards</u>
U.S. Department of Education:				
Passed through Wisconsin Department of Public Instruction:				
ESEA Title V - Charter Schools	84.282	2023-678021-DPI-WCSP1-360	\$ 89,960	\$ ---
Passed through CESA #1:				
Title III-A English Language Acquisition	84.365	2023-749901-DPI-TIIIA-391	708	---
<i>Education Stabilization Funds:</i>				
Elementary and Secondary School Emergency Relief:				
COVID 19 - Elementary and Secondary School Emergency Relief Round III	84.425U	2022-678147-DPI-EBIS-165	275,062	---
<i>Special Education Cluster ("IDEA"):</i>				
IDEA Flow Through Entitlement	84.027A	2023-678021-DPI-FLOW-341	70,738	---
Total U.S. Department of Education			436,468	---
U.S. Department of Health and Human Services:				
Passed through Wisconsin Department of Health and Human Services				
<i>Medicaid Cluster</i>				
Medical Assistance Program	93.778	100187422	11,299	---
Passed through CESA #1:				
School Health Reimbursement	93.354	N/A	3,845	---
Total U.S. Department of Health and Human Services			15,144	---
Total Federal Awards			\$ 451,612	\$ ---
<u>State Awards</u>	<u>State ID Number</u>		<u>Grant Amount</u>	
Wisconsin Department of Public Instruction:				
Special Education and School Age Parents	255.101	678021-100	\$ 172,809	\$ ---
Charter Schools State Aid	255.109	678021-115	4,673,688	---
High Cost Special Education Aid	255.210	678021-119	2,595	---
Educator Effectiveness Evaluation System Grants - Public	255.940	678021-154	2,560	---
Assessments of Reading Readiness	255.956	678021-166	1,352	---
Total Wisconsin Department of Public Instruction			4,853,004	---
Total State Awards			\$ 4,853,004	\$ ---
<u>Other Awards</u>	<u>State ID Number</u>		<u>Grant Amount</u>	
Wisconsin Department of Administration:				
Coronavirus Relief Funds for Public Schools	N/A	N/A	\$ 38,374	\$ ---
Get Kids Ahead Initiative	N/A	N/A	12,723	---
Total Other Awards			\$ 51,097	\$ ---
Total Expenditures of Federal, State and Other Awards			\$ 5,355,713	\$ ---

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

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Notes to Schedule of Expenditures of Federal, State and Other Awards
June 30, 2023

1. Basis of Presentation

The accompanying "Schedule of Expenditures of Federal, State and Other Awards" (the "Schedule") includes the federal and state award activity of LCCA under programs of the federal and state government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of the *Wisconsin 2r Charter School Audit Manual issued by the Wisconsin Department of Public Instruction*. Because the Schedule presents only a selected portion of the operations of LCCA, it is not intended to and does not present the financial position, change in net assets, or cash flow of LCCA. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the *Wisconsin 2r Charter School Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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

4. Special Education and School-Age Parents

Total DPI aidable expenditures for the year ended June 30, 2023 were \$538,685.



**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
Lake Country Classical Academy, Inc.
Oconomowoc, 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 Lake Country Classical Academy, Inc. ("LCCA"), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, statement of functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LCCA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCCA's internal control. Accordingly, we do not express an opinion on the effectiveness of LCCA'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be 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 responses as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LCCA's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on LCCA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. LCCA's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 14, 2023
Milwaukee, Wisconsin



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN 2r CHARTER
SCHOOL AUDIT GUIDELINES**

Board of Directors
Lake Country Classical Academy, Inc.
Oconomowoc, Wisconsin

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Lake Country Classical Academy, Inc. ("LCCA") compliance with the types of compliance requirements identified as subject to audit in the *Wisconsin 2r Charter School Audit Manual* that could have a direct and material effect on each of LCCA's major state programs for the year ended June 30, 2023. LCCA's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and responses.

In our opinion, LCCA 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 state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements the *Wisconsin 2r Charter School Audit Manual*, issued by the Wisconsin Department of Public Instruction. Our responsibilities under those standards and the *Wisconsin 2r Charter School Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, state statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LCCA's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LCCA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin 2r Charter School Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LCCA's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin 2r Charter School Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LCCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LCCA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Wisconsin 2r Charter School Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of LCCA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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 *Wisconsin 2r Charter School Audit Manual*. Accordingly, this report is not suitable for other purposes.

December 14, 2023
Milwaukee, Wisconsin

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

Reference Number: 2022-001

Description: Audit Adjustments

Criteria and Condition: 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 LCCA's objectives regarding the reliability of financial reporting. After fieldwork began, journal entries were required to prevent LCCA's financial statements from being materially misstated.

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

Effect: Without the above audit adjustments, the financial statements of LCCA would have been materially misstated for the following reasons:

- Assets were increased by approximately \$243,000
- Liabilities were increased by approximately \$196,000
- Revenues were decreased by approximately \$474,000
- Expenses were decreased by approximately \$257,000

Status: No change; see 2023-001 finding.

Reference Number: 2022-002

Description: Financial Statement Preparation

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of LCCA should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP"). Preparation of LCCA's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise. LCCA's financial statements could be misstated and required footnote disclosures could be missing.

Cause: LCCA's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. LCCA has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect: LCCA's financial statements could be misstated and required footnote disclosures could be missing.

Status: No change; See 2023-002 finding.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

Reference Number: 2022-003

Program Name: 255.109 – Charter School Aid

Description: Credit Card Transactions

Condition and Criteria: During our testing of credit card transactions, we noted that LCCA did not retain credit card statements or receipts for one of the two months selected at random.

Cause: LCCA did not follow requirements of the Wisconsin Department of Instruction of ensuring adequate support is retained for expenses.

Questioned Costs: Total questioned costs are unknown as eligible LCCA expenses were unverifiable.

Effect: LCCA is not in compliance with Charter School Aid requirements.

Status: This finding has been resolved.

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Schedule of Findings and Responses
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|---|------------|
| 1. Type of report the auditors' 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 noted? | No |

State Awards

- | | |
|---|---------------|
| 10. Internal control over major state programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | None Reported |
| 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? | None Reported |
| 13. Identification of major state programs: | |

CFDA Number

Name of State Program or Cluster

255.101
255.109

Special Education and School Age Parents
Charter Schools State Aid

- | | |
|-----------------------|-----------|
| 14. Type A threshold: | \$250,000 |
|-----------------------|-----------|

Section II - Financial Statement Findings

Reference Number: 2023-001

Description: Audit Adjustments

Criteria and Condition: 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 LCCA's objectives regarding the reliability of financial reporting. After fieldwork began, journal entries were required to prevent LCCA's financial statements from being materially misstated.

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

Effect: Without the above audit adjustments, the financial statements of LCCA would have been materially misstated for the following reasons:

- Assets were decreased by approximately \$151,000
- Liabilities were decreased by approximately \$11,000
- Revenues were decreased by approximately \$45,000
- Expenses were increased by approximately \$65,000
- Net Assets were decreased by approximately \$31,000

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Schedule of Findings and Responses
(Continued)
Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

Reference Number: 2023-001

Description: Audit Adjustments (Continued)

Identification of a Repeat Finding: This is a repeat finding. See 2022-001.

Auditors' Recommendation: We recommend management review the nature of these entries to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process.

Corrective Action Plan: See attachment LCCA's corrective action plan.

Reference Number: 2023-002

Description: Financial Statement Preparation

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of LCCA should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"). Preparation of LCCA's financial statements and footnote disclosures in accordance with U.S. GAAP requires a very high level of technical experience and expertise. LCCA's financial statements could be misstated and required footnote disclosures could be missing.

Cause: LCCA's staff does not have the necessary resources to properly apply U.S. GAAP in the preparation of these documents. LCCA has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with U.S. GAAP.

Effect: LCCA's financial statements could be misstated and required footnote disclosures could be missing.

Identification of a Repeat Finding: This is a repeat finding. See 2022-002

Auditors' Recommendation: We recommend LCCA continue to assign a staff member to review the financial statements prepared by its auditors.

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

Section III - State Findings

None

LAKE COUNTRY CLASSICAL ACADEMY INC.
Oconomowoc, Wisconsin

Schedule of Findings and Responses
(Continued)

Year Ended June 30, 2023

Section IV – 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 <i>Wisconsin State Single Audit Guidelines</i> :
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 | <hr style="width: 30%; margin-left: auto; margin-right: 0;"/> Jason Wrasse, CPA |
| 5. | Date of Report | December 14, 2023 |



Corrective Action Plan

Reference Number: 2023-001

Description: Audit Adjustments

Corrective Action Plan: Lake Country Classical Academy will complete journal entries with support prior to the audit for fiscal year 2023-24.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Lori Kaari, Controller, at 262-254-9044.

Reference Number: 2023-002

Description: Financial Statement Preparation

Corrective Action Plan: Lake Country Classical Academy will continue to rely on the expertise of an accounting firm to prepare the financial statements, as the cost of training is not feasible to Lake Country Classical Academy. Lake Country Classical Academy will continue to review a draft of the financial statements and ask questions prior to giving approval to finalize the financial statements.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Lori Kaari, Controller, at 262-254-9044.

A handwritten signature in cursive script that reads "Lori Kaari".

Lori Kaari
Controller

lkaari@lakecountryclassical.org

262-254-9044