



FOUR LAKES EDUCATION, INC.
MCFARLAND, WISCONSIN

**AUDITED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2024**

Johnson Block & Company, Inc.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Four Lakes Education, Inc.
McFarland, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Four Lakes Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Four Lakes Education, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these 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 the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *GAS* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *GAS* 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as identified in the table of contents, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 November 27, 2024, on our consideration of Four Lakes Education, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Four Lakes Education, Inc.'s internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 27, 2024

Four Lakes Education, Inc.
Statement of Financial Position
June 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 15,634,912
Accounts receivable	1,162
Grants receivable	45,680
Prepaid expenses	85,633
	<hr/>
Total current assets	15,767,387
	<hr/>

Property and Equipment

Property, equipment, and improvements	530,023
Less: accumulated depreciation	(376,273)
Operating lease right-of-use asset	1,218,919
	<hr/>
Total property and equipment	1,372,669
	<hr/>

TOTAL ASSETS

\$ 17,140,056

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 147
Due to Stride K12	11,638,569
Accrued payroll and related liabilities	879,209
Current portion of operating lease liability	496,645
	<hr/>
Total current liabilities	13,014,570
	<hr/>

Long-Term Liabilities

Operating lease liability	734,056
	<hr/>

Net Assets

Without donor restrictions	
Undesignated	3,391,430
	<hr/>

TOTAL LIABILITIES AND NET ASSETS

\$ 17,140,056

Four Lakes Education, Inc.
Statement of Activities
For the Year Ended June 30, 2024

**CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS:
REVENUE**

Per pupil open enrollment revenue	\$ 38,043,188
Grant revenue	852,386
Interest income	624,551
Other income	129,043
	<hr/>
Total revenue	39,649,168
	<hr/>

EXPENSES

Salaries and wages	692,453
Contracted salaries and wages	11,273,083
Employee benefits	247,365
Contracted employee benefits	3,945,713
Contracted services	11,250,997
Curriculum expense	8,049,917
Supplies and equipment	4,443,490
Rent	605,683
Staff development	37,161
Legal and accounting	20,540
Insurance	54,555
Travel	305,318
Depreciation	82,248
Office expenses	486,403
Field trips	48,870
Other expenses	691,395
	<hr/>
Total expenses	42,235,191
	<hr/>
Change in net assets	(2,586,023)

Net assets - beginning of year	5,977,453
	<hr/>
Net assets - end of year	\$ 3,391,430
	<hr/> <hr/>

Four Lakes Education, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,586,023)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	82,248
Change in operating assets and liabilities:	
Accounts receivable	347,325
Prepaid expenses	(32,758)
Operating lease assets and liabilities	10,436
Accounts payable	147
Due to Stride K12	(1,258,751)
Accrued payroll and related liabilities	153,510
	<hr/>
Net cash provided by (used in) operating activities	(3,283,866) <hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(148,073) <hr/>
Net cash provided by (used in) investing activities	(148,073) <hr/>
Net change in cash and cash equivalents	(3,431,939)
Cash and cash equivalents - beginning of year	19,066,851 <hr/>
Cash and cash equivalents - end of year	\$ 15,634,912 <hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Four Lakes Education, Inc.
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June 30, 2024

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Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Four Lakes Education, Inc. (“Organization”) is a nonprofit corporation which consists of four charter schools, the Wisconsin Virtual Academy High School, Wisconsin Virtual Academy K-8, Destinations Career Academy of Wisconsin, and Insight School of Wisconsin High School. The Wisconsin Virtual Academy’s purpose is to utilize research-based technology applications and meaningful teacher/student /parent involvement, to provide a new innovative model of public charter school education choice adapted to the needs of elementary, middle, and high school students, to promote mastery of the Wisconsin Model Academic Standards statewide in Wisconsin. Destinations Career Academy of Wisconsin’s purpose is to provide an innovative online school that combines traditional academics with career technical education, giving students in grades 9–12 a head start on their college and career goals. Insight School of Wisconsin High School is an at risk designated school in which its purpose is to provide education services to at risk students. The Organization is largely funded through a charter school contract with the School District of McFarland.

B. Basis of Presentation and Net Assets

The Organization utilizes the accrual method of accounting, whereby expenses are recognized when incurred. Accordingly, the Organization’s financial statements reflect all significant receivables, payables, and other liabilities. The Organization’s financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization and include those expendable resources which have been designated for special use by the Organization’s Board of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization’s choices of when to use these resources. There were no net assets with donor restrictions as of June 30, 2024.

C. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all short-term, highly liquid investments, with maturity of three months or less when purchased to be cash equivalents. As of June 30, 2024, cash and cash equivalents consist of cash on deposit with banks denominated in U.S. dollars and investments in money market funds. Some of the Organization’s money market accounts are held in Insured Cash Sweep (“ICS”) accounts that allocate the deposits into smaller amounts and places them with other Federal Deposit Insurance Corporation (FDIC) insurance banks in amounts under \$250,000 so that the entire balance is eligible for FDIC insurance.

D. Grants Receivable

Grants receivables are considered to be fully collectible; therefore, no allowance for uncollectible amounts has been established.

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts Receivable and Allowance for Credit Losses

The Organization provides its services to students throughout Wisconsin. The Organization has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024, because the composition of the accounts receivable at that date is consistent with that used in developing the historical credit-loss percentages (i.e. the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, no allowance for credits losses has been recorded in the accompanying financial statements as of June 30, 2024.

F. Property and Equipment

Property is recorded at cost at the date of acquisition or fair value if donated. Additions with an original value of \$1,000 or more and with depreciable lives greater than one year are capitalized. When property is retired or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts. Any gain or loss is included in income. When assets are traded, the book value of the asset traded is used to record any gain or loss resulting from the trade. Major additions and improvements are charged to the property accounts while maintenance and repairs, which do not extend the life of the respective assets, are expensed currently.

G. Revenue Recognition

Per Pupil Open Enrollment Revenue – Per pupil open enrollment revenue is recognized as revenue in the fiscal year for which the open enrollment relates. Students open enroll through McFarland School District. Open enrollment revenue generated for the school year is passed through McFarland School District to Four Lakes Education, Inc. All performance obligations for the enrolled students are met by the conclusion of the fiscal year.

Grant Revenue – Grant revenue is recognized as revenue when reimbursable expenses are incurred and treated as contributions.

H. Contributions

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires – that is, when the stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. When restrictions are met in the same period in which the contribution is received, the contribution is recorded as an increase in net assets without donor restrictions.

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services meeting the requirements for recognition in the financial statements for the year ended June 30, 2024.

J. Leases

The Organization is a lessee in several noncancelable operating leases for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

L. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax. The Organization has adopted accounting guidance for recognizing and measuring uncertain tax positions. The Organization follows statutory requirements for income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing income taxes from activities deemed to be unrelated to the Organization's tax-exempt status would not be material to the financial statements. The Organization's federal exempt organizations returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Organization is no longer subject to examination for tax years before 2020.

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ending June 30, 2024, were \$186,818.

NOTE 2 CONCENTRATIONS OF RISK

The Organization's cash accounts are held in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures deposits up to \$250,000. At June 30, 2024, all of the Organization's deposits were within federal depository limits.

As a School District of McFarland Charter School, the Organization receives a significant portion of its revenues from the State of Wisconsin Department of Public Instruction. These revenues include charter schools state aid, special education, and other governmental assistance. The School District of McFarland Charter School agreements with Wisconsin Virtual Academy, Destinations Career Academy of Wisconsin, and Insight School of Wisconsin High School all expire on June 30, 2028. The Organization received approximately 96% of its revenues through the School District of McFarland for the year ended June 30, 2024. At June 30, 2024, approximately 98% of total receivables were due from the School District of McFarland.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2024:

Description	Estimated Useful Life (Years)	
Computer hardware	3	\$ 82,874
Leasehold improvements	4 - 5	265,723
Furniture and fixtures	7	159,048
Office equipment	5	22,378
Total property and equipment		530,023
Less: accumulated depreciation		(376,273)
Net property and equipment		<u>\$ 153,750</u>

Depreciation expense for the year ended June 30, 2024, was \$82,248.

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 4

LEASES

The Organization has obligations as a lessee for office space with initial noncancelable terms in excess of one year. The Organization classified these leases as operating leases. One lease contains renewal options for two 36-month periods. As of June 30, 2024, the Organization is reasonably certain to exercise one 36-month renewal option, this period has been included in determining the lease term, and the associated payments under one 36-month renewal option have been included as lease payments.

The total lease cost for the year ended June 30, 2024 was \$533,380.

Other information related to leases as of June 30, 2024 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flow from operating leases	\$ 533,380
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ROU assets obtained in exchange for lease obligations

Operating leases	\$ 128,003
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Reductions to ROU assets resulting from reductions to lease obligations:

Operating leases	\$ (480,682)
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Weighted average remaining lease term (in years):

Operating leases	3.63
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Weighted average discount rate:

Operating leases	3.33%
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Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications, or reassessments.

Future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2024:

Year Ended June 30,	
2025	\$ 535,345
2026	537,799
2027	67,162
2028	69,848
2029	72,640
2030	18,335
Total lease payments	1,301,129
Less imputed interest	(70,428)
Present value of lease liabilities	<u>\$ 1,230,701</u>

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 5

FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities are summarized below. Costs are directly charged to the functions they benefit when possible. Certain costs have been allocated among the programs and supporting services. Allocated expenses include contracted services, rent, legal and accounting, insurance, depreciation, and office and other expenses. These expenses are allocated based on estimates of employee time and effort. The table below presents the Organization's expenses by their function and nature for the year ended June 30, 2024.

	Program Activities	Management and General	Amount
Salaries and wages	\$ 692,453	\$	\$ 692,453
Contracted salaries and wages	11,273,083		11,273,083
Employee benefits	247,365		247,365
Contracted employee benefits	3,945,713		3,945,713
Contracted services	3,784,615	7,466,382	11,250,997
Curriculum expense	8,049,917		8,049,917
Supplies and equipment	4,443,490		4,443,490
Rent	545,523	60,160	605,683
Staff development	37,161		37,161
Legal and accounting	59	20,481	20,540
Insurance		54,555	54,555
Travel	305,318		305,318
Depreciation	20,412	61,836	82,248
Office expenses	228,752	257,651	486,403
Field trips	48,870		48,870
Other expenses	622,918	68,477	691,395
Total expenses	<u>\$ 34,245,649</u>	<u>\$ 7,989,542</u>	<u>\$ 42,235,191</u>

NOTE 6

CONTRACTED SERVICES

The Organization has a contracted services agreement with Stride K12 in which the Organization shall pay Stride K12 for program products, defined administration services (15% of the base charter school revenues and other charter school revenues), and technology services (7% of the base charter school revenues and other charter school revenues). Plus, an agreed upon performance incentive fee if performance goals are met. For the year ended June 30, 2024, the Organization's administration service, technology service, and performance incentive fees were \$5,850,436, \$2,730,203, and \$719,244, respectively. The Organization owed Stride K12 \$11,638,569 at June 30, 2024.

Additionally, the Executive Director of Four Lakes Education, Inc. and other management personnel are employees of Stride K12.

Four Lakes Education, Inc.
Notes to the Financial Statements
June 30, 2024

NOTE 7

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Organization's financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are not considered available when not liquid or not convertible into cash within one year or because the board of directors or donors have restricted funds for specific purposes.

Cash and cash equivalents	\$ 15,634,912
Accounts receivable	1,162
Grants receivable	<u>45,680</u>
Total financial assets, excluding noncurrent receivables	15,681,754

Less those unavailable for general expenditure within one year due to:

None unavailable

Financial assets available to meet cash needs for
general expenditures within one year

\$ 15,681,754

NOTE 8

EMPLOYEE RETIREMENT PLAN

The Organization established a retirement plan under IRC Section 401(k). For eligible employees the Organization matches the employee's contributions up to a maximum of 6% of the employee's wages. For the year ended June 30, 2024, the Organization contributed \$451,245 on behalf of its employees to the plan.

NOTE 9

RELATED PARTY TRANSACTIONS

On January 1, 2023, the Organization entered into a 42-month partnership agreement with another organization co-founded by a board member to provide blended virtual educational programming to students. This partnership contains a lease agreement for facilities described in Note 4. During the year ended June 30, 2024, costs of \$548,220 were incurred to this organization for building rental, facility management, and consulting.

NOTE 10

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 27, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Four Lakes Education, Inc.
Combined Schedule of Assets, Liabilities and Net Assets
June 30, 2024

	Wisconsin Virtual Academy	Destinations Career Academy	Insight School of Wisconsin High School	Eliminations	Combined
ASSETS					
<u>Current Assets</u>					
Cash	\$ 11,189,677	\$ 2,029,416	\$ 2,415,819	\$	\$ 15,634,912
Accounts receivable		1,162			1,162
Grants receivable			45,680		45,680
Due from other schools	1,054,861	339,143	4,153,738	(5,547,742)	
Prepaid expenses	70,476	11,190	3,967		85,633
Total current assets	12,315,014	2,380,911	6,619,204	(5,547,742)	15,767,387
<u>Property and Equipment</u>					
Property, equipment, and improvements	418,608	111,415			530,023
Less: accumulated depreciation	(362,599)	(13,674)			(376,273)
Operating lease right-of-use asset	310,800	908,119			1,218,919
Total property and equipment	366,809	1,005,860			1,372,669
TOTAL ASSETS	<u>\$ 12,681,823</u>	<u>\$ 3,386,771</u>	<u>\$ 6,619,204</u>	<u>\$ (5,547,742)</u>	<u>\$ 17,140,056</u>
LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts payable	\$	\$	\$ 147	\$	\$ 147
Due to Stride K12	9,742,382	1,294,507	601,680		11,638,569
Due to other schools	1,000,000	1,762,871	2,784,871	(5,547,742)	
Accrued payroll and related liabilities	762,131	92,780	24,298		879,209
Current portion of operating lease liability	51,650	444,995			496,645
Total current liabilities	11,556,163	3,595,153	3,410,996	(5,547,742)	13,014,570
<u>Long-Term Liabilities</u>					
Operating lease liability	270,932	463,124			734,056
<u>Net Assets</u>					
Without donor restrictions					
Undesignated	854,728	(671,506)	3,208,208		3,391,430
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,681,823</u>	<u>\$ 3,386,771</u>	<u>\$ 6,619,204</u>	<u>\$ (5,547,742)</u>	<u>\$ 17,140,056</u>

Note: Information presented above for Wisconsin Virtual Academy includes Wisconsin Virtual Academy K-8 and Wisconsin Virtual Academy High School.

Four Lakes Education, Inc.
Combined Schedule of Revenue and Expenses
For the Year Ended June 30, 2024

	Net Assets Without Donor Restrictions			
	Wisconsin Virtual Academy	Destinations Career Academy	Insight School of Wisconsin High School	Combined
REVENUE				
Per pupil open enrollment revenue	\$ 31,563,847	\$ 4,080,013	\$ 2,399,328	\$ 38,043,188
Grant revenue	806,706		45,680	852,386
Interest income	407,815	30,375	186,361	624,551
Other income	3,581	125,462		129,043
Total revenue	32,781,949	4,235,850	2,631,369	39,649,168
EXPENSES				
Salaries and wages	665,721	21,288	5,444	692,453
Contracted salaries and wages	9,401,041	1,328,823	543,219	11,273,083
Employee benefits	239,217	6,253	1,895	247,365
Contracted employee benefits	3,302,426	442,853	200,434	3,945,713
Contracted services	9,514,609	1,112,621	623,767	11,250,997
Curriculum expense	6,998,254	899,052	152,611	8,049,917
Supplies and equipment	3,729,815	551,645	162,030	4,443,490
Rent	131,500	474,183		605,683
Staff development	36,060	500	601	37,161
Legal and accounting	20,540			20,540
Insurance	54,555			54,555
Travel	287,937	12,135	5,246	305,318
Depreciation	68,574	13,674		82,248
Office expenses	377,685	102,840	5,878	486,403
Field trips	35,479	13,391		48,870
Other expenses	459,676	174,923	56,796	691,395
Total expenses	35,323,089	5,154,181	1,757,921	42,235,191
Change in net assets	(2,541,140)	(918,331)	873,448	(2,586,023)
Net assets - beginning of year	3,395,868	246,825	2,334,760	5,977,453
Net assets - end of year	\$ 854,728	\$ (671,506)	\$ 3,208,208	\$ 3,391,430

Note: Information presented above for Wisconsin Virtual Academy includes Wisconsin Virtual Academy K-8 and Wisconsin Virtual Academy High School.

Four Lakes Education, Inc.
Schedule of School Revenues and Expenses - Budget to Actual Comparison
Wisconsin Virtual Academy
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
CHANGES IN NET ASSETS: WITHOUT DONOR RESTRICTIONS: REVENUE			
Per pupil open enrollment revenue	\$ 23,021,858	\$ 31,563,847	\$ 8,541,989
Grant revenue		806,706	806,706
Interest income		407,815	407,815
Other income		3,581	3,581
Total revenue	23,021,858	32,781,949	9,760,091
EXPENSES			
Salaries and wages	1,193,948	665,721	528,227
Contracted salaries and wages	5,673,352	9,401,041	(3,727,689)
Employee benefits	361,366	239,217	122,149
Contracted employee benefits	2,972,427	3,302,426	(329,999)
Contracted services	9,186,622	9,514,609	(327,987)
Curriculum expense	798,786	6,998,254	(6,199,468)
Supplies and equipment	2,081,846	3,729,815	(1,647,969)
Rent	74,835	131,500	(56,665)
Staff development	152,645	36,060	116,585
Legal and accounting	57,280	20,540	36,740
Insurance	31,127	54,555	(23,428)
Travel	40,505	287,937	(247,432)
Depreciation	49,010	68,574	(19,564)
Office expenses	111,592	377,685	(266,093)
Field trips		35,479	(35,479)
Other expenses	69,516	459,676	(390,160)
Total expenses	22,854,857	35,323,089	(12,468,232)
Change in net assets	167,001	(2,541,140)	(2,708,141)
Net assets - beginning of year	3,395,868	3,395,868	
Net assets - end of year	\$ 3,562,869	\$ 854,728	\$ (2,708,141)

Note: Information presented above for Wisconsin Virtual Academy includes Wisconsin Virtual Academy K-8 and Wisconsin Virtual Academy High School.

Four Lakes Education, Inc.
Schedule of School Revenues and Expenses - Budget to Actual Comparison
Destinations Career Academy of Wisconsin
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CHANGES IN NET ASSETS: WITHOUT DONOR RESTRICTIONS: REVENUE			
Per pupil open enrollment revenue	\$ 4,819,836	\$ 4,080,013	\$ (739,823)
Interest income	53,810	30,375	(23,435)
Other income	<u>125,462</u>	<u>125,462</u>	<u>125,462</u>
 Total revenue	 <u>4,873,646</u>	 <u>4,235,850</u>	 <u>(637,796)</u>
EXPENSES			
Salaries and wages		21,288	(21,288)
Contracted salaries and wages	321,102	1,328,823	(1,007,721)
Employee benefits		6,253	(6,253)
Contracted employee benefits	112,541	442,853	(330,312)
Contracted services	1,856,546	1,112,621	743,925
Curriculum expense	161,428	899,052	(737,624)
Supplies and equipment	418,408	551,645	(133,237)
Rent	15,124	474,183	(459,059)
Staff development	30,848	500	30,348
Legal and accounting	11,576		11,576
Insurance	6,291		6,291
Travel	8,186	12,135	(3,949)
Depreciation	9,904	13,674	(3,770)
Office expenses	22,552	102,840	(80,288)
Field trips		13,391	(13,391)
Other expenses	<u>16,366</u>	<u>174,923</u>	<u>(158,557)</u>
 Total expenses	 <u>2,990,872</u>	 <u>5,154,181</u>	 <u>(2,163,309)</u>
 Change in net assets	 1,882,774	 (918,331)	 (2,801,105)
 Net assets - beginning of year	 <u>246,825</u>	 <u>246,825</u>	 <u></u>
 Net assets - end of year	 <u>\$ 2,129,599</u>	 <u>\$ (671,506)</u>	 <u>\$ (2,801,105)</u>

Four Lakes Education, Inc.
Schedule of School Revenues and Expenses - Budget to Actual Comparison
Insight School of Wisconsin High School
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
CHANGES IN NET ASSETS: WITHOUT DONOR RESTRICTIONS: REVENUE			
Per pupil open enrollment revenue	\$ 1,715,440	\$ 2,399,328	\$ 683,888
Grant revenue		45,680	45,680
Interest income	12,294	186,361	174,067
	<u>1,727,734</u>	<u>2,631,369</u>	<u>903,635</u>
EXPENSES			
Salaries and wages	89,060	5,444	83,616
Contracted salaries and wages	332,788	543,219	(210,431)
Employee benefits	26,731	1,895	24,836
Contracted employee benefits	327,128	200,434	126,694
Contracted services	424,164	623,767	(199,603)
Curriculum expense	36,881	152,611	(115,730)
Supplies and equipment	96,123	162,030	(65,907)
Rent	3,455		3,455
Staff development	7,048	601	6,447
Legal and accounting	2,645		2,645
Insurance	1,437		1,437
Travel	1,870	5,246	(3,376)
Depreciation	2,263		2,263
Office expenses	5,152	5,878	(726)
Other expenses	3,210	56,796	(53,586)
	<u>1,359,955</u>	<u>1,757,921</u>	<u>(397,966)</u>
Change in net assets	367,779	873,448	505,669
Net assets - beginning of year	<u>2,334,760</u>	<u>2,334,760</u>	
Net assets - end of year	<u>\$ 2,702,539</u>	<u>3,208,208</u>	<u>\$ 505,669</u>

Four Lakes Education, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Awarding Agency/ Pass-Through Agency Award Description	Assistance Listing	Pass-Through Entity Identifying Number	Deferred/ (Receivable) July 1, 2023	Receipts Grantor Reimbursements	Expenditures	Receivable June 30, 2024
<u>U.S DEPARTMENT OF EDUCATION</u>						
Passed through Wisconsin Department of Public Instruction:						
Passed through McFarland School District:						
Comprehensive Supports and Improvements	84.010	2024-133381-DPI-CSI-148	\$ (316,039)	\$ 316,039	\$ 45,680	\$ 45,680
ESEA - Implementation Support	84.010A	2023-13381-DPI-1003-IMPL-155	(18,303)	18,303		
Title I - Grants to Local Educational Agencies	84.010A	2024-133381-DPI-TIA-141	(45,602)	101,435	55,833	
Total Federal Awards			\$ (379,944)	\$ 435,777	\$ 101,513	\$ 45,680

Four Lakes Education, Inc.
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2024

Awarding Agency/ Pass-Through Agency Award Description	State ID	Pass Through ID	(Receivable) July 1, 2023	Receipts		Expenditures	Receivable June 30, 2024
	Number	Number		Grantor	Reimbursements		
<u>Wisconsin Department of Public Instruction</u>							
Passed through McFarland School District:							
Handicapped Pupils and School Age Parents	255.101	133381-100	\$	\$	735,636	\$	735,636
Educator Effectiveness	255.940	133381-154			10,880		10,880
Total State Awards			\$	\$	746,516	\$	746,516



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
Four Lakes Education, Inc.
McFarland, 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 Four Lakes Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 27, 2024

Four Lakes Education, Inc.
Schedule of Findings and Responses
For the Year Ended June 30, 2024

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP? | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

B. Financial Statement Findings

No audit findings noted.

C. Other Issues

- | | |
|---|-------------------------------------|
| 1. Does the auditor have substantial doubt as to 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? | Letter issued to
Governing Board |

3. Name and signature of partner

Brent Nelson, CPA
Brent Nelson, CPA

4. Date of report

November 27, 2024