

NEW LEAF PREP ACADEMY  
*2023 Financial Audit*

Thank you for taking the time to understand the inner workings of our school! A few considerations when looking at our 2023 financial audit:

- Audit Findings 2023-003, 2023-004, and 2023-005 were corrected in January 2023 (after last year's audit was issued) but still had to be noted as findings for the July-December 2022 period since that is part of the audit.
- Before agreeing to the rental amount, our board of directors analyzed comparable properties and rental costs, which fell well within the per-square-foot range included in the rental agreement that was ultimately set forth in the lease with Blue Bay. The per-square-foot rental cost of the custom build-to-suit building is under \$14 per square foot, well below market value for comparable properties, making it an excellent opportunity for NLPA.
- Our lease is a modified gross lease, meaning all related expenses are encompassed within the rental payment. As such, this amount covers all expenses, including, for example, taxes, insurance, property maintenance/snow plowing, renovation costs, custom school-specific build-out, etc., which are not included in comparable commercial NNN leases where the lessee covers these costs.
- Our lease is a long-term lease to ensure stability for school operations and to allow for the necessary custom build-out, as agreed on by Blue Bay and the NLPA governance board.
- Our school would have been extremely unlikely to secure a loan without a previous financial history, and the mortgage payments would far exceed current lease amounts. No other investor or bank would have fronted the necessary funding for NLPA to exist and carry out its vision and mission. It's an incredible nondiscriminatory educational opportunity, and whoever owns the building has nothing to do with that. Without the founders taking on this financial risk, our school would not exist.
- Daniel Christoff is a family member of Mr. & Mrs. Christoff on the administrative team and sits on the school board to support the education of his three grandchildren and the community. He has been on the board since before NLPA worked towards becoming a Public Charter school. He does not vote on anything that may be seen as a conflict of interest, such as wage or conflicting entities. None of the other board members had relationships prior to joining the New Leaf Prep Academy Board of Directors. Over the years, professional camaraderie has drawn board members closer in their relationship due to the mission and vision we are all working hard to carry out.
- As the School Founder & Head of School, Paige Christoff provides oversight to ensure our school autonomy aligns with the school's mission and vision. She

provides guidance to the board on mission and vision-related topics in accordance with the school's original founding proposal & and charter contract.

- Currently, NLPA operates under a four-person governance board, with a three-vote majority.
- New Leaf Prep Academy and New Leaf Preschool share the 360 AMS court property. All financial obligations including teacher wages, works, facilities, and playscape features are paid for on a percentage or square foot basis, including in mixed-age Primary Studios.
- To speak at a public board meeting, please fill out a community input comment card and hand it to the board president, Brianna Simoens, before the start of the meeting. All board meetings are listed on our website [www.newleafprepacademy.org/resources](http://www.newleafprepacademy.org/resources).

As a newer school, our school's governance board and administration team are continually working to reflect upon, update, and carry out best practices. If you have questions about any of the specifics included above, the policies or procedures of our school, or any portions of our financial audit, please be sure to reach out so we can address them. To contact our Governance Board: [www.board@newleafprepacademy.org](mailto:www.board@newleafprepacademy.org). To contact our school's administrative team, please email our secretary, and she will direct or address your inquiry: [www.contact@newleafprepacademy.org](mailto:www.contact@newleafprepacademy.org).

Yours in Education,  
Governance Board & Administrative Team  
New Leaf Prep Academy

**NEW LEAF PREP ACADEMY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
New Leaf Prep Academy  
Green Bay, Wisconsin

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of New Leaf Prep Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 New Leaf Prep Academy as of June 30, 2023 and 2022, 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 audits 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*, 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 New Leaf Prep Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in fiscal year ending June 30, 2023 New Leaf Prep Academy adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***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 New Leaf Prep Academy's ability to continue as a going concern for one year after the date 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 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 *Government Auditing Standards* 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 *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 New Leaf Prep Academy'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 New Leaf Prep Academy'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.

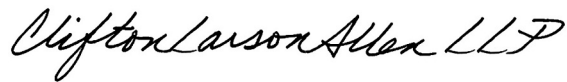
**Other Matter**

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming opinion on the accompanying financial statements as a whole. The accompanying schedule of financial results – charter school contract and schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of financial results – charter school contract and the schedule of expenditures of federal and state awards are 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 21, 2023, on our consideration of New Leaf Prep Academy’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 New Leaf Prep Academy’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 New Leaf Prep Academy’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
November 21, 2023

**NEW LEAF PREP ACADEMY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 240,407	\$ 131,467
Grants Receivable	85,646	314,182
Other Receivables	1,821	10,578
Prepaid Expenses	9,790	2,846
Property and Equipment, Net	384,621	37,023
Right-of-Use Asset - Operating	13,031,151	-
Total Assets	\$ 13,753,436	\$ 496,096
<b>LIABILITIES AND NET DEFICIT</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 39	\$ 481
Accrued Payroll Liabilities	88,296	102,729
Accrued Interest	39,588	28,932
Straight-Line Rent Liability	-	206,328
Short-Term Lease Liability	144,316	-
Deferred Revenue	48,020	29,464
Long-Term Debt	685,200	623,200
Long-Term Lease Liability	13,308,381	-
Total Liabilities	14,313,840	991,134
<b>NET DEFICIT</b>		
Without Donor Restrictions	(560,404)	(495,038)
Total Liabilities and Net Deficit	\$ 13,753,436	\$ 496,096

See accompanying Notes to Financial Statements.



**NEW LEAF PREP ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Federal Grants:			
Title II	\$ 840	\$ -	\$ 840
Special Education	28,429	-	28,429
Special Projects	507,973	-	507,973
State Grants:			
Per Pupil Revenue	1,435,920	-	1,435,920
Special Projects	1,715	-	1,715
Other Grants	22,323	-	22,323
Fundraising	64,979	-	64,979
Food Service	41,914	-	41,914
Program and Fee Income	33,810	-	33,810
Interest Income	7,785	-	7,785
Other Income	11,411	-	11,411
Total Revenue, Support, and Gains	2,157,099	-	2,157,099
<b>EXPENSES AND LOSSES</b>			
Program Services Expense	1,885,821	-	1,885,821
Supporting Services Expense:			
Management and General	327,171	-	327,171
Fundraising and Development	9,473	-	9,473
Total Supporting Services Expense	336,644	-	336,644
Total Expenses	2,222,465	-	2,222,465
<b>CHANGE IN NET DEFICIT</b>	(65,366)	-	(65,366)
Net Deficit - Beginning of Year	(495,038)	-	(495,038)
<b>NET DEFICIT - END OF YEAR</b>	\$ (560,404)	\$ -	\$ (560,404)

See accompanying Notes to Financial Statements.

**NEW LEAF PREP ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Federal Grants:			
Title II	\$ 1,545	\$ -	\$ 1,545
Special Education	27,437	-	27,437
Special Projects	460,561	-	460,561
State Grants:			
Per Pupil Revenue	1,078,817	-	1,078,817
Special Projects	778	-	778
Other Grants	97,582	-	97,582
Contributions	5,000	-	5,000
Fundraising	25,086	-	25,086
Food Service	35,479	-	35,479
Program and Fee Income	29,580	-	29,580
Interest Income	23	-	23
Other Income	3,723	-	3,723
Total Revenue, Support, and Gains	<u>1,765,611</u>	<u>-</u>	<u>1,765,611</u>
<b>EXPENSES AND LOSSES</b>			
Program Services Expense	1,980,300	-	1,980,300
Supporting Services Expense:			
Management and General	273,137	-	273,137
Fundraising and Development	7,212	-	7,212
Total Supporting Services Expense	<u>280,349</u>	<u>-</u>	<u>280,349</u>
Total Expenses and Losses	<u>2,260,649</u>	<u>-</u>	<u>2,260,649</u>
<b>CHANGE IN NET DEFICIT</b>	(495,038)	-	(495,038)
Net Deficit - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET DEFICIT - END OF YEAR</b>	<u>\$ (495,038)</u>	<u>\$ -</u>	<u>\$ (495,038)</u>

See accompanying Notes to Financial Statements.

**NEW LEAF PREP ACADEMY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Salaries and Wages	\$ 671,674	\$ 154,146	\$ -	\$ 825,820
Payroll Taxes	61,539	11,872	-	73,411
Employee Benefits	68,014	15,182	-	83,196
Purchased Services	-	37,119	-	37,119
Advertising and Recruitment	-	3,546	-	3,546
Food Services	54,545	-	-	54,545
Building and Equipment Rental	711,608	22,008	-	733,616
Student Transportation	7,325	-	527	7,852
Curriculum Materials and Supplies	18,714	-	-	18,714
Computer Supplies	25,118	16,533	-	41,651
General Supplies	14,198	13,386	3,610	31,194
Dues and Subscriptions	6,570	1,849	130	8,549
Telephone	3,722	115	-	3,837
Utilities	21,002	650	-	21,652
Repairs and Maintenance	72,174	3,356	-	75,530
Staff Development	75,126	5,800	-	80,926
Insurance	5,491	18,064	-	23,555
Depreciation	-	22,425	-	22,425
Interest	45,362	-	-	45,362
Special Events	-	-	5,206	5,206
Miscellaneous	23,639	1,120	-	24,759
<b>Total Expenses by Function</b>	<b>\$ 1,885,821</b>	<b>\$ 327,171</b>	<b>\$ 9,473</b>	<b>\$ 2,222,465</b>

See accompanying Notes to Financial Statements.

**NEW LEAF PREP ACADEMY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Salaries and Wages	\$ 538,013	\$ 127,108	\$ -	\$ 665,121
Payroll Taxes	46,079	9,803	-	55,882
Employee Benefits	25,164	11,086	-	36,250
Purchased Services	4,200	150	-	4,350
Advertising and Recruitment	-	861	-	861
Food Services	56,727	-	-	56,727
Building and Equipment Rental	757,625	23,432	-	781,057
Student Transportation	1,136	-	-	1,136
Curriculum Materials and Supplies	205,149	-	-	205,149
Computer Supplies	90,579	12,504	-	103,083
General Supplies	9,798	10,131	7,212	27,141
Dues and Subscriptions	5,135	9,411	-	14,546
Telephone	1,163	-	-	1,163
Utilities	8,494	262	-	8,756
Repairs and Maintenance	190,532	20,152	-	210,684
Staff Development	22,700	-	-	22,700
Insurance	-	17,807	-	17,807
Depreciation	-	1,498	-	1,498
Interest	-	28,932	-	28,932
Miscellaneous	17,806	-	-	17,806
<b>Total Expenses by Function</b>	<b>\$ 1,980,300</b>	<b>\$ 273,137</b>	<b>\$ 7,212</b>	<b>\$ 2,260,649</b>

See accompanying Notes to Financial Statements.

**NEW LEAF PREP ACADEMY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Deficit	\$ (65,366)	\$ (495,038)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	22,425	1,498
Noncash Lease Expense	215,218	206,328
Changes in Operating Assets and Liabilities:		
Grants Receivable	228,536	(314,182)
Other Receivables	8,757	(10,578)
Prepaid Expenses	(6,944)	(2,821)
Accounts Payable	(442)	481
Accrued Payroll and Other Liabilities	(14,433)	102,729
Accrued Interest	10,656	28,932
Deferred Revenues	18,556	26,664
Net Cash Provided (Used) by Operating Activities	416,963	(455,987)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property, Plant, and Equipment	(370,023)	(38,521)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	312,000	583,000
Principal Payments on Long-Term Debt	(250,000)	-
Net Cash Provided by Financing Activities	62,000	583,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	108,940	88,492
Cash and Cash Equivalents - Beginning of Year	131,467	42,975
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 240,407	\$ 131,467
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	\$ 34,706	\$ -

See accompanying Notes to Financial Statements.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

New Leaf Prep Academy (the School or Organization) is a nonprofit corporation organized under the laws of the state of Wisconsin for the purpose of providing K-8 Montessori and nature-based education to cultivate life-long self-driven learners in Green Bay, Wisconsin. Through a partnership with the University of Wisconsin – Madison, the Organization operates a charter school and receives a significant portion of its funding in the form of government grants from various state agencies, primarily the Wisconsin Department of Public Instruction (DPI).

**Cash and Cash Equivalents**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Receivables and Credit Policies**

Grants receivables consist primarily of noninterest-bearing amounts due for reimbursable grants. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. As of June 30, 2023 and 2022, the Organization considers all outstanding balances to be fully collectible.

**Property and Equipment**

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Leases**

The School leases certain office and educational space. The School 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 the statements of financial position.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets 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.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (continued)**

*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 the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

The Organization had no net assets with donor restrictions as of June 30, 2023 and 2022.

**Revenue and Revenue Recognition**

**Program Service Fees**

Program and fee income is recognized over time when the related educational instruction is performed. Food service revenue is recognized at a point in time. There were no receivables (contract assets) outstanding related to program services fees as of June 30, 2023, 2022 and 2021. Deferred revenue (contract liabilities) related to program and fee income was \$48,020, \$29,464 and \$2,800 as of June 30, 2023, 2022 and 2021 respectively.

**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 promises to give - 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 met. The Organization had \$-0- conditional contributions as of June 30, 2023 and 2022.

**Fundraising**

Income for special events is evaluated for treatment as an exchange transaction or a contribution. Revenues from exchange transactions are deferred until the event occurs. Revenues from the contribution portion are reported as increases in net assets with donor restrictions when received and released from restrictions with the event occurs, when applicable.

**Government Grants**

The Organization received various grants from the federal and state government. These grants generally involve reimbursement of cost approved in advance. Revenue is recognized under the reimbursement of allowable costs as qualifying costs are incurred.



**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

Government Grants (continued)

For the year ended June 30, 2022, the Organization complied with conditions of Employee Retention Credit (ERC) funding in the amount of \$97,582. ERC are refundable tax credits against certain employment taxes. Grants related to this program are recorded as revenue. The Organization recognized \$97,582 in other grants and grants receivable related to performance requirements being met and costs being incurred in compliance with the program during the year ended June 30, 2022. The Organization did not receive similar funding during the year ended June 30, 2023.

**Advertising Costs**

Advertising costs are expensed as incurred and approximated \$3,546 and \$861 during the years ended June 30, 2023 and 2022, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include building and equipment rental and utilities, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

New Leaf Prep Academy is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in Internal Revenue Section (IRC) Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined that it is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of our mission.

**Accounting Standards Updates**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School has adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The School has elected the package of practical expedients available in the year of adoption. The School has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The School recognized on July 1, 2022 a lease liability of \$13,552,375, which represents the present value of the remaining operating lease payments of \$21,481,200, discounted using the School's incremental borrowing rate of 3.11%, and a right-of-use asset of \$13,552,375.

The standard had a material impact on the statements of financial position but did not have a material impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Subsequent Events**

The Organization has evaluated subsequent events through November 21, 2023, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

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

	2023	2022
Cash and Cash Equivalents	\$ 240,407	\$ 131,467
Grants Receivable	85,646	314,182
Other Receivables	1,821	10,578
Total	<u>\$ 327,874</u>	<u>\$ 456,227</u>

As part of our liquidity management plan, the Organization monitors cash flow needs on a weekly basis to ensure that payment obligations can be met. The Organization also has several lines of credit available if a cash short fall occurs (see Note 7).

**NOTE 3 GRANTS RECEIVABLE**

The grants receivable balance represents the amount due from the following agencies:

	2023	2022
Wisconsin Department of Public Instruction	\$ 85,646	\$ 216,600
Employee Retention Credit	-	97,582
Total Grants Receivable	<u>\$ 85,646</u>	<u>\$ 314,182</u>

All receivables are due within one year and the Organization believes all grants receivable are collectible as of June 30, 2023 and 2022.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building Improvements	\$ 38,521	\$ 38,521
Equipment	370,023	-
Subtotal	<u>408,544</u>	<u>38,521</u>
Less: Accumulated Depreciation and Amortization	<u>(23,923)</u>	<u>(1,498)</u>
Total Property and Equipment	<u>\$ 384,621</u>	<u>\$ 37,023</u>

Depreciation and amortization expense totaled \$22,425 and \$1,498 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 5 OPERATING LEASES – ASC 840**

The School elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization entered into a noncancelable operating lease for the school, which expires on July 1, 2051. Rental expense for the lease is comprised of a monthly “base rent”, which is subject to an automatic minimum of 2% and maximum of 8% increase each year.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 518,400
2025	528,768
2026	539,343
2027	550,130
2028	561,133
Thereafter	17,892,120
Total Minimum Lease Payments	<u>\$ 20,589,894</u>

Rent expense related to the above building lease for year ended June 30, 2022 totaled \$480,000.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 6 LEASES – ASC 842**

The School leases certain office and educational space under one long-term, noncancelable operating lease expiring on July 1, 2051. Rental expense for the lease is comprised of a monthly “base rent”, which is subject to an automatic minimum of 2% and maximum of 8% increase each year.

The following table provides quantitative information concerning the School’s lease for year ended June 30, 2023:

Lease Cost:	
Operating Lease Cost	\$ 733,616
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 518,400
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 13,346,045
Weighted-Average Remaining Lease Term - Operating Leases	28 years
Weighted-Average Discount Rate - Operating Leases	3.11%
<u>Year Ending June 30,</u>	
2024	\$ 559,200
2025	571,200
2026	583,200
2027	595,200
2028	607,200
Thereafter	<u>18,046,800</u>
Undiscounted Cash Flows	20,962,800
Less: Imputed Interest	<u>(7,510,103)</u>
Total Present Value	<u><u>\$ 13,452,697</u></u>
Short-Term Lease Liabilities	\$ 144,316
Long-Term Lease Liabilities	13,308,381
	<u><u>\$ 13,452,697</u></u>

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 7 NOTES PAYABLE**

The Organization has the following notes payable as of June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
\$500,000 line of credit with a related party, unsecured, principal balance due and payable on August 18, 2032, interest of 7% accrues monthly and is due on August 18 each year.	\$ 300,000	\$ 300,000
\$500,000 line of credit with a related party, unsecured, principal balance due and payable on August 18, 2032, interest of 7% accrues monthly and is due on August 18 each year.	278,100	253,100
\$500,000 line of credit with a related party, unsecured, principal balance due and payable on August 18, 2032, interest of 7% accrues monthly and is due on August 18 each year.	<u>107,100</u>	<u>70,100</u>
Total Long-Term Debt	<u><u>\$ 685,200</u></u>	<u><u>\$ 623,200</u></u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

The Organization has outstanding notes payable to related parties as noted below:

	<u>2023</u>	<u>2022</u>
Payable to Employees	\$ 107,100	\$ 70,100
Payable to Blue Bay Investments (Employee-Owned)	278,100	253,100
Payable to Auto Parts Power Sports (Employee and Board Member-Owned)	<u>300,000</u>	<u>300,000</u>
Total	<u><u>\$ 685,200</u></u>	<u><u>\$ 623,200</u></u>

The Organization also has an outstanding other receivable from a related organization owned by employees for expenses that were paid on behalf of the other organization. The outstanding amount due from the related organization was \$1,821 and \$10,578 as of June 30, 2023 and 2022, respectively.

The Organization leases the school building from Blue Bay Investments, which is owned by employees. See Note 5 and 6 for more information on this lease.

**NEW LEAF PREP ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 9 EMPLOYEE BENEFITS**

The Organization has established a pension plan, which covers all eligible employees. The plan is a defined contribution retirement savings plan with contributions set at a percentage of each qualified employee's annual compensation (currently at 6%). The total contribution for this plan for years ended June 30, 2023 and 2022 was \$34,235 and \$17,759, respectively.

**NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2023 and 2022.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

The Organization participates in federal and state assistance grant programs. These programs are subject to compliance audits by the grantors or their representatives. Accordingly, our compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although we expect such amounts, if any, to be immaterial.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINANCIAL RESULTS – CHARTER SCHOOL CONTRACT  
YEAR ENDED JUNE 30, 2023**

The School is operated through a partnership with the University of Wisconsin – Madison. A Charter School Contract establishes the roles and responsibilities of each party of the agreement. The Charter School Contract requires the following financial results by student FTE to be included in the audit:

Total Revenue

Category	Total Revenue	Per Pupil
State per Pupil Aid	\$ 1,435,920	\$ 9,264
Special Education Aid	28,429	183
Federal Funds	508,813	3,283
Grants	24,038	155
Other Donations	64,979	419
Other Revenue	94,920	612
<b>Total</b>	<b>\$ 2,157,099</b>	<b>\$ 13,917</b>

Federal Revenue

Category	Total Federal Revenue	Per Pupil
Title I	\$ -	\$ -
Title II	840	5
Title III	-	-
Title IV	-	-
Title V	-	-
Title VI	-	-
Other Federal Funds	507,973	3,277
<b>Total</b>	<b>\$ 508,813</b>	<b>\$ 3,283</b>

Total Expenditures

Category	Total Expenditures	Per Pupil
Instruction	\$ 859,841	\$ 5,547
Instructional Support	28,458	184
Facilities	866,794	5,592
Administration	396,027	2,555
Board	-	-
Other Expenditures	71,345	460
<b>Total</b>	<b>\$ 2,222,465</b>	<b>\$ 14,338</b>

Total Net Deficit

	July 1	June 30	Difference	Cumulative Net Deficit
Total Net Deficit	\$ (495,038)	\$ (560,404)	\$ (65,366)	\$ (560,404)





**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  
New Leaf Prep Academy  
Green Bay, 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 New Leaf Prep Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered New Leaf Prep Academy'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 New Leaf Prep Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of New Leaf Prep Academy'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**


As part of obtaining reasonable assurance about whether New Leaf Prep Academy'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*.

**New Leaf Prep Academy's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on New Leaf Prep Academy's response to the findings identified in our audit and described in the accompanying *schedule of findings and questioned costs*. New Leaf Prep Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
November 21, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, REQUIRED BY THE STATE SINGLE AUDIT GUIDELINES**

Board of Directors  
New Leaf Prep Academy  
Green Bay, Wisconsin

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited New Leaf Prep Academy's compliance with the types of compliance requirements identified as subject to audit in the *State Single Audit Guidelines* that could have a direct and material effect on each of New Leaf Prep Academy's major state programs for the year ended June 30, 2023. New Leaf Prep Academy's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Leaf Prep Academy complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the *State Single Audit Guidelines*. Our responsibilities under those standards and the *State Single Audit Guidelines* are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of New Leaf Prep Academy 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 New Leaf Prep Academy'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, statutes, regulations, rules and provisions of contracts or grant agreements applicable to New Leaf Prep Academy'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 New Leaf Prep Academy'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 GAAS, *Government Auditing Standards*, and the *State Single Audit Guidelines* 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 New Leaf Prep Academy's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State Single Audit Guidelines*, 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 New Leaf Prep Academy'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 New Leaf Prep Academy'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 *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of New Leaf Prep Academy'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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2023-004 and 2023-005. Our opinion on the major state program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-005 to be a material weakness.

*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.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on New Leaf Prep Academy's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. New Leaf Prep Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
November 21, 2023

**NEW LEAF PREP ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

Grantor Agency/Cluster or Grant Title	Pass-through Agency	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/22	Cash Received	Accrued (Deferred) Revenue 6/30/23	Total Revenue	Total Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF EDUCATION</b>									
American Rescue Plan Act	WI Dept. of Public Instruction	84.425	2022-058150-DPI-EBIS-165	\$ (11,546)	\$ 298,161	\$ 1,946	\$ 288,561	\$ 288,561	\$ -
Coronavirus Relief Funds	WI Dept. of Public Instruction	84.425	None	-	-	-	-	-	-
Special Education - Grants to States Special Education Flow-Through		84.027							
July 1, 2021 - June 30, 2022	WI Dept. of Public Instruction		2022-058150-DPI-FLOW-341	(26,810)	26,810	-	-	-	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-FLOW-341	-	-	21,969	21,969	21,969	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-FT-Midyear-342	-	-	6,020	6,020	6,020	-
Special Education - Grants to States Special Education Preschool		84.173							
July 1, 2021 - June 30, 2022	WI Dept. of Public Instruction		2022-058150-DPI-PRESCH-347	(627)	627	-	-	-	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-PRESCH-347	-	-	96	96	96	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-PS-Midyear-348	-	-	344	344	344	-
Charter Schools		84.282							
July 1, 2021 - June 30, 2022	WI Dept. of Public Instruction		2022-058150-DPI-WCSP1-360	(176,072)	176,072	-	-	-	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-WCSP1-360	-	164,981	54,431	219,412	219,412	-
Improving Teacher Quality State Grants		84.367							
July 1, 2021 - June 30, 2022	WI Dept. of Public Instruction		2022-058150-DPI-TIIA-365	(1,545)	1,545	-	-	-	-
July 1, 2022 - June 30, 2023	WI Dept. of Public Instruction		2023-058024-DPI-TIIA-365	-	-	840	840	840	-
Total Federal Awards				<u>\$ (216,600)</u>	<u>\$ 668,196</u>	<u>\$ 85,646</u>	<u>\$ 537,242</u>	<u>\$ 537,242</u>	<u>\$ -</u>
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>									
Charter Schools State Aid	Direct Program	255.289	None	\$ -	\$ 1,435,920	\$ -	\$ 1,435,920	\$ 1,435,920	\$ -
Assessments of Reading Readiness	Direct Program	255.956	058150-166	-	595	-	595	595	-
Educator Effective Eval System Grants	Direct Program	255.940	None	-	1,120	-	1,120	1,120	-
Total State Awards				<u>\$ -</u>	<u>\$ 1,437,635</u>	<u>\$ -</u>	<u>\$ 1,437,635</u>	<u>\$ 1,437,635</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

**NEW LEAF PREP ACADEMY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of New Leaf Prep Academy's programs of the federal and Wisconsin governments for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of New Leaf Prep Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of New Leaf Prep Academy.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 OVERSIGHT AGENCIES**

The federal and state oversight agencies for New Leaf Prep Academy are as follows:

Federal — U.S. Department of Education  
State — Wisconsin Department of Public Instruction

**NOTE 4 INDIRECT COST RATE**

New Leaf Prep Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the *State Single Audit Guidelines*.

**NOTE 5 SUBRECIPIENT PAYMENTS**

No federal or state awards were passed through to sub recipients during the year ended June 30, 2023.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?   x   yes            no
  - Significant deficiency(ies) identified?            yes   x   none reported
3. Noncompliance material to financial statements noted?            yes   x   no

**State Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?   x   yes            no
  - Significant deficiency(ies) identified?            yes   x   none reported
2. Type of auditors’ report issued on compliance for major state programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*?   x   yes            no

**Identification of Major State Programs**

<b>State ID Number</b>	<b>Name of State Program</b>
255.289	Charter Schools State Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$ 250,000



**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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**2023–001      Financial Statement Preparation**

Type of Finding: Material Weakness in Internal Control over Financial Reporting

**Condition:** The Organization maintains accounting records which reflect the financial transactions; however, ensuring the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), including note disclosures would require additional experience and knowledge. The Organization contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the financial statements in an efficient manner. However, as independent auditors, CLA cannot be considered part of the Organization’s internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the Organization has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.

**Criteria or Specific Requirement:** Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**Cause:** The additional costs associated with hiring staff experienced in preparing year-end financial reports, including additional training time, outweigh the derived benefits. However, management has reviewed and approved the annual financial statements and related notes, as prepared by the audit firm, and has accepted responsibility for those financial statements.

**Repeat Finding:** Yes

**Recommendation:** We recommend that management continue reviewing the annual financial statements and the adjusting entries. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Organization is necessary to obtain a complete and adequate understanding of the annual financial statements.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. Refer to the Organization’s Corrective Action Plan for more information.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings (Continued)***

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**2023–002      Material Journal Entries**

Type of Finding: Material Weakness in Internal Control over Financial Reporting

**Condition:** The Organization maintains accounting records which reflect the financial transactions; however, ensuring the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) would require additional experience and knowledge. The Organization contracts with us and our knowledge of applicable accounting principles to assist in journal entries that ensure the financial statements are prepared following U.S. GAAP. However, as independent auditors, CLA cannot be considered part of the Organization's internal control system. As part of its internal control over journal entries, the Organization has implemented a comprehensive review procedure to review journal entries to ensure the financial statement balances are complete and accurate.

**Criteria or Specific Requirement:** Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Effect:** Monthly or annual financial statement reports prepared by the Organization may contain material misstatements.

**Cause:** The Organization maintains the financial records which accurately report revenues and expenses on cash basis throughout the year. There were one material journal entry posted as part of the audit to implement the new lease standard.

**Repeat Finding:** Yes

**Recommendation:** We recommend the Organization's management and board continue reviewing the annual financial statements and adjusting entries.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. Refer to the Organization's Corrective Action Plan for more information.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings (Continued)***

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**2023–003      Segregation of Duties**

Type of Finding: Material Weakness in Internal Control over Financial Reporting

**Condition:** The Organization did not have enough people in administration functions to adequately segregate duties. The Organization also did not have documented regular review of the financial statements by the board during July through December 2022.

**Criteria or Specific Requirement:** Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensure that no single employee has control over all phases of a transaction.

**Effect:** Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

**Cause:** The lack of segregation of duties is due to the limited number of employees and the size of the Organization's operations. The Organization did not complete a risk assessment and review of internal controls to identify additional mitigating and compensating controls that could be implemented to reduce the risk of errors or fraud for the period July 2022 through December 2022.

**Repeat Finding:** Yes

**Recommendation:** We recommend that the Organization continue to review their current policies and procedures to better separate duties and to consider greater board involvement as a compensating control. We noted the Organization put additional procedures in place starting in January 2023 and recommend they continue to follow these new policies.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. Refer to the Organization's Corrective Action Plan for more information.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major State Programs***

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**2023–004 Documented Approval of Invoices**

State Agency: Wisconsin Department of Public Instruction

State Program Title: Charter Schools State Aid

State ID: 255.289

Compliance Requirement: Allowable Costs, Allowable Activities

Type of Finding: Material Weakness in Internal Control over Compliance

**Criteria or Specific Requirement:** The Organization should have a formal approval process for all expenses and ensure that process is documented.

**Condition:** The Organization did not have any documentation to show expenses were approved prior to being paid for the period July 2022 through December 2022.

**Questioned Costs:** None

**Context:** For 14 of the 33 disbursements tested, there was no formal approval process documented. Starting in January 2023, we noted that proper approval was in place.

**Cause:** Management Oversight

**Effect:** The effect of not having a documented approval is noncompliance with Uniform Guidance and the State Single Audit Guidelines.

**Recommendation:** It is recommended that the Organization continue to follow their current policies and procedures that were adopted in January 2023 to ensure that there is an appropriate review and approval process that is documented.

**Views of Responsible Officials:** There is no disagreement with the audit finding. Refer to the Organization's Corrective Action Plan for more information.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major State Programs (Continued)***

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**2023–005      Time and Effort Documentation**

State Agency: Wisconsin Department of Public Instruction

State Program Title: Charter Schools State Aid

State ID: 255.289

Compliance Requirement: Allowable Costs, Allowable Activities

Type of Finding: Material Weakness in Internal Control over Compliance, Other Matter

**Criteria or Specific Requirement:** The Organization is required to have time and effort documented per the *State Single Audit Guidelines*.

**Condition:** The Organization did not have any documentation for time and effort reporting for any employees for the period from July 2022 through December 2022.

**Questioned Costs:** None

**Context:** Employees did not have time and effort documented for the period July through December 2022. Starting in January 2023, time and effort was documented based on our testing.

**Cause:** Management Oversight

**Effect:** The effect of not having a documented approval is noncompliance with the *State Single Audit Guidelines*.

**Recommendation:** It is recommended that the Organization either continue with their current system to document time and effort reporting if cost effective. Or the Organization may consider a different method such as biweekly sign-offs on payroll summaries by the employees and an appropriate supervisor to document time and effort. We also recommend the Organization continue having an appropriate approver sign off on timesheets.

**Views of Responsible Officials:** There is no disagreement with the audit finding. Refer to the Organization's Corrective Action Plan for more information.

**NEW LEAF PREP ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

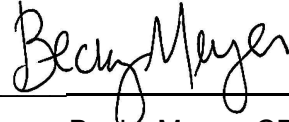
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***Section IV – Other Issues***

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1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_yes        x  no
2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, 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 *State Single Audit Guidelines*:  
Wisconsin Department of Public Instruction \_\_\_\_\_x\_\_\_\_\_yes      \_\_\_\_\_no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? \_\_\_\_\_x\_\_\_\_\_yes      \_\_\_\_\_no

Name and signature of signing director



Becky Meyer, CPA

Date of report

November 21, 2023



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