CONCORDIA CHARTER SCHOOL

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

YEARS ENDED JUNE 30, 2024 AND 2023

Brett V. Backlund CPA, PC
1776 East Silver Creek Court • Gilbert, Arizona 85296
Phone (480) 361-4150 • Mobile 480) 540-3071 • brett@bvbcpa.com
AICPA Members CPA America counts on CPAs AICPA GAQC Member

Independent Auditor's Report

The Board of Directors
Concordia Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Concordia Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 financial statements present fairly, in all material respects, the financial position of Concordia Charter School as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years 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 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 Concordia Charter School 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 opinions.

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 Concordia Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Concordia Charter School'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 Concordia Charter School'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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of Concordia Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Concordia Charter School'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 Concordia Charter School's internal control over financial reporting and compliance.

Brett V. Backlund, CPA, PC

Brett V. Backlund, CPA, PC
Gilbert, Arizona
September 27, 2024

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 556,867	$ 645,354
Due from governmental agencies	5,803	40,530
Prepaid expenses	3,982	5,000
Total current assets	566,652	690,884
Non-current assets:		
Property and equipment, net	219,718	169,985
Operating lease right-of-use asset	116,498	172,298
TOTAL ASSETS	$ 902,868	$ 1,033,167
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 62,745	$ 45,690
Accrued payroll and related benefits	38,881	2,084
Operating lease liability, current portion	57,417	55,800
Total current liabilities	159,043	103,574
Long-term liabilities:		
Operating lease liability, less current portion	59,081	116,498
TOTAL LIABILITIES	218,124	220,072
NET ASSETS		
Without donor restrictions	663,124	793,873
With donor restrictions	21,620	19,222
TOTAL NET ASSETS	684,744	813,095
TOTAL LIABILITIES AND NET ASSETS	$ 902,868	$ 1,033,167

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

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue, support, and gains:		
Contributions of cash and other financial assets:		
State sources	$ 824,687	$ 902,358
Federal sources	200,730	747,884
Local sources	6,170	33,755
Other local sources	40,352	373
Total revenue, support, and gains	1,071,939	1,684,370
Net assets released from restrictions:		
Satisfaction of program restrictions	163,001	89,196
Total revenue, support, gains, and other support	1,234,940	1,773,566
Expenses and losses:		
Personal services - salaries	802,049	850,617
Personal services - employee benefits	130,464	153,379
Purchased professional and technical services	98,213	115,212
Purchased property services	88,626	149,635
Other purchased services	33,809	36,909
Supplies	142,839	195,172
Depreciation and amortization	65,773	72,190
Other expenses and losses	3,916	4,541
Total expenses and losses	1,365,689	1,577,655
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(130,749)	195,911
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of cash and other financial assets with donor restrictions:		
State sources	79,847	83,965
Federal sources	80,652	-
Local sources	4,900	5,250
Total contributions of cash and other financial assets with donor restrictions	165,399	89,215
Net assets released from restrictions		
State sources	(84,055)	(85,181)
Federal sources	(76,746)	-
Local sources	(2,200)	(4,015)
Total net assets released from restrictions	(163,001)	(89,196)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	2,398	19
CHANGES IN NET ASSETS	(128,351)	195,930
NET ASSETS, BEGINNING OF YEAR	813,095	617,165
NET ASSETS, ENDING OF YEAR	$ 684,744	$ 813,095

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

	2024		
	Charter School	**Management and General**	**Total Expenses**
Compensation to employees	$ 665,680	$ 136,368	$ 802,048
Retirement plan contributions	6,194	1,745	7,939
Employee benefit programs	43,573	17,416	60,989
Federal, state, and local payroll taxes	50,625	10,912	61,537
Accounting and auditing fees	-	40,700	40,700
Professional and technical services	886	4,219	5,105
Professional education services	52,408	-	52,408
Advertising and promotion	-	437	437
Classroom, office, and other supplies	46,679	6,691	53,370
Telephone and internet	12,822	3,206	16,028
Postage and delivery	-	79	79
Dues and fees	564	2,640	3,204
Printing and binding	-	414	414
Information technology	4,599	35,195	39,794
Lease costs	48,470	12,117	60,587
Utilities	6,782	1,696	8,478
Property taxes	-	18	18
Repairs and maintenance	15,755	3,939	19,694
Travel, transportation, and meals and lodging	2,297	1,500	3,797
Depreciation and amortization	52,618	13,155	65,773
Insurance	10,443	2,611	13,054
Food	49,542	-	49,542
Miscellaneous other expenses	694	-	694
Total expenses and losses	$ 1,070,631	$ 295,058	$ 1,365,689

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

	2023		
	Charter School	**Management and General**	**Total Expenses**
Compensation to employees	$ 613,366	$ 237,251	$ 850,617
Retirement plan contributions	8,462	5,602	14,064
Employee benefit programs	53,038	18,767	71,805
Federal, state, and local payroll taxes	47,114	20,396	67,510
Accounting and auditing fees	-	13,200	13,200
Professional and technical services	764	32,825	33,589
Professional education services	68,423	-	68,423
Advertising and promotion	-	2,702	2,702
Classroom, office, and other supplies	69,347	9,562	78,909
Telephone and internet	11,937	2,984	14,921
Dues and fees	678	1,108	1,786
Printing and binding	-	3,105	3,105
Other office expenses	88	-	88
Information technology	38,724	19,192	57,916
Lease costs	48,000	12,000	60,000
Utilities	3,009	752	3,761
Repairs and maintenance	68,718	17,180	85,898
Travel, transportation, and meals and lodging	4,552	275	4,827
Depreciation and amortization	57,752	14,438	72,190
Insurance	9,014	2,253	11,267
Food	58,323	-	58,323
Miscellaneous other expenses	-	2,754	2,754
Total expenses and losses	$ 1,161,309	$ 416,346	$ 1,577,655

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (128,351)	$ 195,930
Adjustments to reconcile changes in net assets to net cash from/(used in) operating activities:		
Depreciation and amortization	65,773	72,190
(Increase)/decrease in operating assets:		
Due from governmental agencies	34,727	(40,340)
Prepaid expenses	1,018	(809)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	17,055	29,685
Accrued payroll and related benefits	36,797	(1,911)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	27,019	254,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(115,506)	(7,599)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(115,506)	(7,599)
NET CHANGES IN CASH, CASH EQUIVALENTS,AND RESTRICTED CASH	(88,487)	247,146
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	645,354	398,208
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 556,867	$ 645,354

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Concordia Charter School (School) is an Arizona not-for-profit organization established February 19, 2004 to operate a charter school whose mission is to provide families a choice for a high quality education for their child or children in a safe, caring and harmonious environment. We are committed to addressing the learning strengths and needs of each child through small class sizes (maximum of 18), caring and highly qualified teachers, and daily individualized academic interventions. The School operates under a charter contract with the Arizona State Board for Charter Schools (Sponsor), which mandates policies and operational guidelines. The School provides educational services in Mesa, Arizona to approximately 80 students in kindergarten through sixth grades, and is funded primarily through its sponsor, based on student membership.

Significant Accounting Policies
The School prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the School are described below to enhance the usefulness and understandability of the financial statements.

Cash, Cash Equivalents, and Restricted Cash – The School 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. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	2024	2023
Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 535,247	$ 626,132
Restricted cash:		
Extracurricular activities fees tax credit	3,935	1,235
Classroom site fund	13,779	17,987
Federal grants	3,906	-
Total Cash, Cash Equivalents, and Restricted Cash	$ 556,867	$ 645,354

Gifts-in-Kind Contributions – The School periodically receives contributions in a form other than cash or investments (contributed nonfinancial assets). If the School receives a contribution of property and equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the School's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. No amounts have been reflected in the financials statements for gifts-in-kind contributions.

The School may benefit from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the School's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance non-financial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition.

Revenue and Revenue Recognition – The School receives revenues from three separate sources: (1) local; (2) state; and (3) federal. Revenues from local sources consists primarily of contributions and donations (both with and without donor-imposed restrictions); school-sponsored activities; fundraising; before and after school care; and other miscellaneous revenue items. Revenues from state sources consists of state equalization assistance; permanent state school (Proposition 123) project; classroom site project; instructional improvement project; and other state projects. Revenue from federal sources consists of federal projects.

The School 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.

State equalization assistance are payments from the State of Arizona driven by student enrollment under the provisions in the Arizona Revised Statutes. The equalization formula is the mechanism used to calculate funding, which is at the school level. Equalization assistance is allocated on a fiscal year basis that begins on July 1st and ends on June 30th and is paid on a prorated basis throughout the school year. The School recognizes revenue as it provides education to its students throughout the academic school year. Revenue that is collected in advance is recorded as deferred revenue on the statements of financial position.

Proposition 123 project, classroom site project, and instructional improvement project each originated from voter approved propositions used to increase school funding. Proposition 123 project through an increase in the distributions from the State Land Trust; classroom site project through sales taxes; and instructional improvement project through sharing Indian gaming revenue. This funding is generally received through periodic payments from the Arizona Department of Education (ADE) and is based on student enrollment. The School recognizes revenue as it provides education to its students throughout the academic school year. No amounts are received in advance from the ADE.

State and federal projects are primarily cost-reimbursable state and federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Grant Revenue – Grant revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the School's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the School.

Property and Equipment – Land, buildings, and improvements with both a cost of $5,000 or more and vehicles, furniture, and equipment with both a cost of $5,000 or more and an estimated useful life of one year or more are capitalized. Assets are stated at cost. Assets donated are recorded at their estimated fair market value as of the date received. Repairs and maintenance that does not significantly increase the useful life of the asset are expensed as incurred. Amortization of buildings and improvements and depreciation of furniture and equipment are provided on a straight–line basis over the useful life of the respective assets, which ranges from 2 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. 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.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. No impairment losses were recognized in the financial statements during the current period.

Net Assets – The financial statements can report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors (or certain grantors), as follows:

> *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> *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 by the donor has stipulated the funds be maintained in perpetuity. The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. 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.

Accounting for Contributions – Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in nets assets with donor restrictions, consistent with the nature of the restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports that support as increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Advertising Costs – All costs associated with advertising and promotion are expensed in the period incurred. For the years ended June 30, 2024 and 2023, advertising costs consisted of $437 and $2,702, respectively.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the School's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The School's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Income Taxes – The School is organized as Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and has been determined not to be a private foundation. Further, the School is annually required to file a Form 990, *Return of Organization Exempt from Income Tax* with the IRS. In addition, the School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The School determined that it is not subject to unrelated business income tax and has not filed a Form 990-T, *Exempt Organization Business Income Tax Return*with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The School would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The School's Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the IRS for three years after the date filed. As of June 30, 2024, the returns for 2023, 2022, 2021, and 2020 remain subject to examination.

Expense Recognition and Allocation – The cost of providing the School's programs and other activities is summarized on a functional basis in the statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Costs common to multiple functions have been allocated among the various functions benefited. The expenses that are allocated include the following:

Expense	Method of Allocation
Grants	Time and Effort
Salaries and benefits	Time and Effort
Occupancy	Square Footage
Interest	Square Footage
Depreciation and amortization	Square Footage
Insurance	Square Footage

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the School.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The School generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Subsequent Events – The School has reviewed all subsequent events through September 27, 2024, which was the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Prior Year Amounts – Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash in Bank – The School maintains all of its cash with multiple financial institutions. The carrying amount of deposits and bank balances consisted of the following as of the years ended June 30:

	2024	2023
Carrying amount of deposits	$ 556,867	$ 645,354
Bank balances:		
Federal Deposit Insurance Corporation insured	556,987	475,813
Uninsured and uncollateralized	-	174,051
Total bank balances	$ 556,987	$ 649,864

Restricted Cash – The School receives cash contributions from individuals and others for eligible activities, programs or purposes, which require the School to maintain detailed accounting records to ensure that Extracurricular Activities Fees Tax Credit (ETC) monies are used only for allowable expenditures and in support of both the school and purpose designated by the taxpayer. Eligible activities or programs include (1) extracurricular activities; (2) character education; (3) standardized testing and fees; (4) career and technical education assessment; (5) cardiopulmonary resuscitation training; (6) capital items; (7) community school meal programs; (8) student consumable healthcare supplies: and (9) playground equipment and shade structures for playground equipment. As of the years ended June 30, 2024 and 2023, restricted cash related to ETC consisted of $3,935 and $1,235, respectively.

Classroom Site Fund (CSF) monies are administered by the Arizona Department of Education (ADE), are non-reverting, and provide funding to schools for designated purposes. CSF monies are allocated based on student count and other factors specified by statute. CSF monies are restricted solely for use at school sites for class size reduction; teacher compensation (including a base pay and performance pay component); assessment intervention programs; teacher development; dropout prevention programs; teacher liability insurance premiums; and student support services. As of the years ended June 30, 2024 and 2023, restricted cash related to the CSF consisted of $13,779 and $17,987, respectively.

NOTE 3 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, consisted of the following for the years ended June 30:

	2024	2024
Financial statements at year end:		
Cash and cash equivalents	$ 556,867	$ 645,354
Due from governmental agencies	5,803	40,530
Total financial assets	562,670	685,884
Less amounts not available to be used within one year:		
Restricted cash:		
Extracurricular activities fees tax credit	(3,935)	(1,235)
Classroom Site Fund	(13,779)	(17,987)
Federal grants	(3,906)	-
Total amounts not available to be used within one year	(21,620)	(19,222)
Financial assets available to meet general expenditures over the next year	$ 541,050	$ 666,662

The School's goal is generally to maintain financial assets to meet 60 to 90 days of operating expenses, which is approximately $225,000 to $375,000. In addition, the School operates annually on a balanced budget and expects to cover general expenditures by collecting revenues from local, state, and federal sources; and by utilizing donor-restricted resources from current and prior years.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of the years ended June 30:

	2024	2023
Property and equipment:		
Leasehold improvements	$ 385,480	$ 411,923
Equipment	207,202	108,168
Construction in progress	592,682	520,091
Accumulated depreciation and amortization	(372,964)	(350,106)
Property and equipment, net	$ 219,718	$ 169,985

For the years ended June 30, 2024 and 2023, depreciation and amortization expense consisted of $65,773 and $72,190, respectively.

NOTE 5 - LEASES

The School determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position. The lease payments used to determine the ROU assets and the lease liability reflect the present value of the future minimum lease payments over the lease term, which include renewal options when the options are reasonably certain to be exercised, and, if applicable, include prepaid or accrued rent and residual value guarantees the School are probable of paying at the termination of the lease term. In addition, certain lease agreements may require the School to comply with certain covenants and to maintain certain financial ratios. If such requirements exist, the School was in compliance with all ratios and covenants as of years ended June 30, 2024 and 2023. Operating lease expense is recognized on a straight-line basis over the lease term.

Operating Leases – The School leases certain equipment at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through June 30, 2039 and provide for renewal options ranging two five year renewal options or extensions. The School includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The School's operating leases provide for increases in future minimum annual rental payments. Additionally, the operating lease agreements requires the School to pay real estate taxes, insurance, and repairs.

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

The School has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases and to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. For the years ended June 30, 2024 and 2023, total short-term operating lease costs consisted of $587 and $-, respectively. The School elected the practical expedient to not separate lease and non-lease components for equipment leases.

For the years ended June 30, 2024 and 2023, total lease costs of the operating leases consisted of the following:

	2024	2023
Operating lease costs	$ 60,000	$ 60,000

For the years ended June 30, 2024 and 2023, the summarized supplemental cash flow information of the operating leases consisted of the following:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 60,000	$ 60,000

For the years ended June 30, 2024 and 2023, the summarized weighted-average remaining lease term and weighted-average discount rate for the operating leases consisted of the following:

	2024	2023
Weighted-average remaining lease term in years:		
Operating leases	2.0	3.0
Weighted-average discount rate:		
Operating lease	2.86%	2.86%

The future minimum lease payments under non-cancelable operating leases with terms greater than one year consisted of the following as of the year ended June 30, 2024:

Fiscal year ending June 30:	Operating
2025	$ 60,000
2026	60,000
Total future minimum lease payments	120,000
Less interest	3,502
Present value of lease liabilities	$ 116,498

NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation – The School is contingently liable for claims, either asserted or unasserted, and judgments resulting from lawsuits incidental to the normal operation of a school. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the School's financial position, results of operations, or liquidity. Accordingly, no provision for possible losses is reflected in the financial statements.

Compliance – The School's compliance with certain laws and regulations is subject to review by its Sponsor. Although such reviews could result in a reduction of state equalization assistance, any required reductions are not expected to be significant.

NOTE 7 - CONCENTRATIONS OF RISK

Amounts held in financial institutions can occasionally be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The School deposits its cash with high quality financial institutions, and management believes the School is not exposed to significant credit risk on those amounts.

A significant portion of the School's annual funding comes from agencies of the federal and state governments, including primarily the Arizona Department of Education. As such, the School's ability to generate resources via contributions and grants is dependent upon the economic health of the federal government and the state of Arizona. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the School's services. In addition, if the state of Arizona and its agencies significantly reduced the level of support provided to the School it would have a material effect on the School's operations. The School's management is aware of the concentration and its potential impact on its programs, and would take appropriate action if any reduction did occur.

NOTE 8 – EMPLOYEE BENEFIT PLANS

The School contributes amounts to a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) retirement plan to eligible employees beginning the first month after completing 90 days of employment. Employee contribution maximums are determined by the IRS. The School matches employees' elective deferrals on a dollar for dollar basis, not to exceed 3.0% and 3.0%, respectively, of the employee's compensation. Contributions to the employees accounts consisted of $7,939 and $14,064, respectively, for the years ended June 30, 2024 and 2023.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of the years ended June 30:

	2024	2023
Subject to expenditure for specified purpose:		
Extracurricular activities fees tax credit	$ 3,935	$ 1,235
Classroom site fund	13,779	17,987
Federal grants and other projects	3,906	-
Total subject to expenditures for specified purpose	21,620	19,222
Total net assets with donor restrictions	$ 21,620	$ 19,222

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2024	2023
Subject to expenditure for specified purpose:		
Extracurricular activities fees tax credit	$ 2,200	$ 4,015
Classroom site fund	84,055	85,181
Federal grants and other projects	76,746	-
Total subject to expenditures for specified purpose	163,001	89,196
Total net assets with donor restrictions	$ 163,001	$ 89,196

NOTE 10 - EMPLOYEE RETENTION CREDIT (ERC)

The Employee Retention Credit (ERC) was established under the Coronovirus Aid, Relief, and Economic Security (CARES) Act in March 2020. It was intended to help businesses retain their workforce and avoid layoffs during the coronovirus pandemic. Further, it provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It functioned as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The ERC was available to the School based on the School meeting the eligibility requirements.

The School accounted for the recovery of amounts previously paid and expensed in prior years as a loss recovery. The accounting treatment for loss recovery is to use FASB ASC 410, *Asset Retirement and Environmental Obligations*, specifically FASB ASC 410-30-35-8, which indicates that a claim for recovery should be recognized only when the claim is probable as it is defined in FASB ASC 450, *Contingencies*. Accordingly, since the School believes that it is probable that it is entitled to recover amount previously paid via the ERC, then it should recognize a receivable for amounts to be received for the amounts paid in prior years to be recovered via the ERC.

The School accounted for the recovery of amounts previously paid and expensed in the current year similarly to government grants as a nonexchange transaction as a conditional contribution. Government grants to not-for-profit recipient entities are addressed in FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, specifically FASB ASC 958-605.15, which notes that contributions received includes cancellation of liabilities.

Regarding recognition of ERC funds, FASB ASC 958-605 notes that conditions should be substantially met by the entity before the receipt of assets (including contributions receivable) is recognized as a contribution. For the year ended June 30, 2023, the School recorded $447,403 as part of revenue from federal sources on the statements of activities.

Brett V. Backlund CPA, PC
1776 East Silver Creek Court • Gilbert, Arizona 85296
Phone (480) 361-4150 • Mobile 480) 540-3071 • brett@bvbcpa.com
AICPA Members • CPA America counts on CPAs® • AICPA GAQC Member

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*

Board of Directors
Concordia Charter School

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 Concordia Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concordia Charter School'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 Concordia Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Concordia Charter School'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*.

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 Concordia Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concordia Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brett V. Backlund, CPA, PC

Brett V. Backlund, CPA, PC
Gilbert, Arizona
September 27, 2024

We have reviewed Concordia Charter School's prior year schedule of findings and responses contained in the prior year audit report dated November 13, 2023. The School did not have any deficiencies in internal control over financial reporting or instances of noncompliance or other matters, therefore, no corrective action was necessary.