



Financial Statements
June 30, 2023

Lumen Scholar Institute

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Independent Auditor's Report

The Board of Directors
Lumen Scholar Institute
Orem, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of 2023 Lumen Scholar Institute (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of the 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 the 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 the School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Ede Sully LLP".

Ogden, Utah
November 7, 2023

The discussion and analysis of the Lumen Scholar Institute's (the School) financial performance provides an overall review of financial activities for the fiscal year.

FINANCIAL HIGHLIGHTS

During fiscal year 2021, enrollment increased as parents sought after established online schools. In fiscal years 2022 and 2023, the School's enrollment returned to pre-pandemic numbers. The School has an involved Board of Directors (the Board) and Director, both of which are fiscally responsible and active in monitoring school resources and spending. The 6% increase in the Weighted Pupil Unit and the 7% increase in Local Replacement funds helped offset inflation. Additionally, the School was able to spend from surplus to purchase assets that would benefit the School. Each of these things lead to a fiscally sound year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the School's basic financial statements. These financial statements include three primary components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The basic financial statements consist of two kinds of statements that present different views of the School's financial activities.

Government-Wide Financial Statements (GWFS)

The GWFS (i.e., Statement of Net Position and Statement of Activities) provide readers with a broad overview of the School's finances. The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position provides information on all of the assets and liabilities of the School, with the difference between the two providing the net position. Increases or decreases in the net position may indicate whether the financial position of the School is improving or deteriorating, respectively.

The Statement of Activities reflects changes in net position during the fiscal year. Changes in net position are reported using the accrual basis of accounting, similar to that used by private-sector companies. Accrual basis accounting takes into account all current year related revenue and expenditures, regardless of when cash is received or paid.

The GWFS presents an aggregate view of the School's finances and contains useful long-term information as well as information for the just-completed fiscal year.

To assess the overall financial condition of the School, additional non-financial factors, such as changes in the condition of school buildings and other facilities, should be considered.

In the GWFS, the School's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, custodial, maintenance, transportation, and food services. Most of these activities are supported by the State of Utah Minimum School Program. The GWFS can be found on pages 9-10 of this report.

Fund Financial Statements

Funds are accounting devices the School uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund financial statements focus on individual parts of the School. Fund statements generally report operations in more detail than the government-wide statements. This statement focuses on its most significant or "major" funds and not on the School as a whole.

The School establishes other funds, as necessary, to control and manage money for particular purposes or to show that it is properly using certain revenue.

Governmental Funds

Governmental funds account for nearly the same functions as the governmental activities. However, unlike the GWFS, governmental funds focus on near-term inflows and outflows as well as the balances left at year-end that are available for funding future basic services.

It is useful to compare information found in the governmental funds with that of the governmental activities. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions.

The basic governmental funds financial statements can be found on pages 11-14 of this report.

Notes

The notes to the financial statements starting on page 15 provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the School's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the School's budget data for the year.

Government-Wide Financial Analysis

Net position may serve as a useful indicator of an organization's financial position.

	2023	2022
Assets		
Current and other assets	\$ 1,927,417	\$ 2,145,199
Capital assets	433,949	443,153
Total assets	\$ 2,361,366	\$ 2,588,352
Liabilities		
Current and other liabilities	\$ 350,111	\$ 307,160
Long-term liabilities	274,772	385,202
Total liabilities	624,883	692,362
Net Position		
Net investment in capital assets	159,177	57,951
Restricted	-	107,331
Unrestricted	1,577,306	1,730,708
Total net position	\$ 1,736,483	\$ 1,895,990

A portion of the School's net position is the investment in capital assets (i.e., furniture and equipment, computers, capital improvements and right-to-use leased office space) and the related debt used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. Restricted net position is restricted for debt service and program restrictions. The remaining portion of the School's net position is unrestricted.

Governmental Activities

Changes in Net Position – The table below shows the changes in net position for the fiscal years 2023 and 2022. The School relies on state and federal support for 99% of its governmental activities for the year ended June 30, 2023. The School had total revenue of \$3,933,799 and total expenses of \$4,093,306, during the year ended June 30, 2023. The School had a decrease in net position of \$159,507 during the year ended June 30, 2023. The School's decrease in net position was due, primarily, to a decrease in revenue of \$421,125.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenue			
Program revenue			
State and federal aid	\$ 3,903,324	\$ 4,352,936	\$ (449,612)
Operating grants and contributions	4,090	138	3,952
Other local revenue	26,385	1,850	24,535
	<u>3,933,799</u>	<u>4,354,924</u>	<u>(421,125)</u>
Expenses			
Instructional	2,146,917	2,149,995	(3,078)
Support services			
Students	811,247	946,985	(135,738)
Staff assistance	60,185	64,763	(4,578)
General	279	-	279
School administration	535,127	529,172	5,955
Central services	346,597	210,612	135,985
Operation and maintenance of facilities	176,618	212,260	(35,642)
Transportation	1,246	2,586	(1,340)
Interest and other costs	15,090	19,925	(4,835)
	<u>4,093,306</u>	<u>4,136,298</u>	<u>(42,992)</u>
Change in Net Position	<u>\$ (159,507)</u>	<u>\$ 218,626</u>	<u>\$ (378,133)</u>

Governmental Funds

The focus of the School's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

General Fund – The general fund is the general operating fund for the School. At the end of the current fiscal year, the general fund balance is \$1,577,306, which is a decrease of \$260,733 from the prior year. The School's decrease in the general fund was due to the School's decision to spend from surplus.

Expenditures for general School purposes totaled \$4,194,532, which is an increase of \$51,166 from the prior year. This is due to the School's decision to make a couple of large purchases that would benefit the school.

General fund salaries totaled \$2,421,123, while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, and vision added \$360,113 to arrive at 66% of the School's general fund expenditures.

Budgetary Highlights

The School adopts an original budget in June for the subsequent year.

Actual expenditures in the general fund were \$56,378 less than the amended budget. The budget was prepared with a conservative approach for revenues and budgeted for additional year-end expenditures, which were not made, resulting in the School coming in under budget.

Capital Assets

The School has invested \$700,711 in a wide range of capital assets, but primarily in furniture and equipment and office space. The total accumulated depreciation and amortization on these assets amounts to \$266,762. There were capital asset additions of \$132,235 for fiscal year 2023.

Additional information regarding the School's capital assets can be found in Note 3 to the basic financial statements.

Leases

The School has a lease for office space. See Note 4 to the financial statements for more information about leases.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School at 1353 West 760 North, Orem, Utah 84057, or by phone at 801-987-9497.

Lumen Scholar Institute
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	\$ 1,785,492
State receivables	25,288
Federal receivables	113,928
Other receivables	2,709
Capital assets (net of accumulated depreciation and amortization)	433,949
Total assets	2,361,366
Liabilities	
Accounts payable	70,596
Accrued liabilities	279,515
Long-term liabilities	
Due within one year - lease payable	120,628
Due in more than one year - lease payable	154,144
Total liabilities	624,883
Net Position	
Net investment in capital assets	159,177
Unrestricted	1,577,306
Total net position	\$ 1,736,483

Lumen Scholar Institute
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Program Revenue			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<i>Governmental activities</i>				
Instructional	\$ 2,146,917	\$ -	\$ 2,014,471	\$ (132,446)
Support services				
Students	811,247	-	-	(811,247)
Staff assistance	60,185	-	-	(60,185)
General	279	-	-	(279)
School administration	535,127	-	-	(535,127)
Central services	346,597	-	-	(346,597)
Operation and maintenance of facilities	176,618	-	-	(176,618)
Transportation	1,246	-	-	(1,246)
Interest and other costs	15,090	-	-	(15,090)
Total Governmental Activities	\$ 4,093,306	\$ -	\$ 2,014,471	(2,078,835)
General Revenue				
Grants and contributions not restricted to specific programs				
				1,892,943
				26,226
				159
				<u>1,919,328</u>
				Change in Net Position (159,507)
				Net Position, Beginning of Year <u>1,895,990</u>
				Net Position, End of Year <u>\$ 1,736,483</u>

Lumen Scholar Institute
Balance Sheet – Governmental Funds
June 30, 2023

	General
Assets	
Cash	\$ 1,785,492
State receivables	25,288
Federal receivables	113,928
Other receivables	2,709
Total assets	\$ 1,927,417
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 70,596
Accrued liabilities	279,515
Total liabilities	350,111
Fund Balance	
Unassigned	1,577,306
Total fund balance	1,577,306
	\$ 1,927,417

Lumen Scholar Institute
 Reconciliation for Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balance - Governmental Funds \$ 1,577,306

The cost of capital assets (furniture and equipment, computers, capital improvements and right-to-use leased office space) purchased or constructed is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the School as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation and amortization expense) to the various programs reported as governmental activities in the statement of activities. Because depreciation and amortization expense does not affect financial resources, it is not reported in government funds.

Costs of capital assets	700,711	
Depreciation and amortization expense to date	<u>(266,762)</u>	433,949

Long-term liabilities applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year end are:

Long-term liabilities		<u>(274,772)</u>
Lease payable		

Net Position		<u><u>\$ 1,736,483</u></u>
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Lumen Scholar Institute
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2023

	General
Revenue	
State aid	\$ 3,785,111
Federal aid	118,209
Earnings on investments	26,226
Other local sources	4,253
Total revenue	3,933,799
Expenditures	
Instructional	2,146,917
Support services	
Students	811,247
Staff assistance	60,185
General	279
School administration	535,127
Central services	346,597
Operation and maintenance of facilities	35,179
Transportation	1,246
Total support services	1,789,860
Non instructional	
Capital outlay	132,235
Debt service	
Principal	110,430
Interest and other costs	15,090
Total debt service	125,520
Total expenditures	4,194,532
Net Change in Fund Balance	(260,733)
Fund Balance, Beginning of Year	1,838,039
Fund Balance, End of Year	\$ 1,577,306

Lumen Scholar Institute
 Reconciliation of Governmental Funds Statement of Revenue, Expenditures,
 and Changes in Fund Balance to the Statement of Activities
 Year Ended June 30, 2023

Total Net Change in Fund Balance - Governmental Funds \$ (260,733)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which depreciation and amortization expense exceeded capital outlays during the fiscal year:

Capital outlay	132,235	
Depreciation and amortization expense	<u>(141,439)</u>	(9,204)

The governmental funds report repayment of long-term liability payments as expenditures. Interest is recognized as an expenditure in the governmental activities when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of debt and related items is as follows:

Repayment of lease payable principal		<u>110,430</u>
Change in Net Position of Governmental Activities		<u><u>\$ (159,507)</u></u>

Note 1 - Summary of Significant Accounting Policies

Lumen Scholar Institute (the School) was incorporated in the State of Utah on July 15, 2014, as a nonprofit organization involved in public education. The School operates a public charter school in Orem, Utah, and serves students from kindergarten through grade twelve. The School seeks to inspire students to the highest level of achievement excellence. The School provides the following activities: education, encompassing instruction, student and staff support activities and facilities maintenance and operation. Supporting services include general and administrative services which are overall entity-related administrative costs.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

Financial Reporting Entity

The School follows Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds and agencies of the primary government whose budgets are controlled or whose boards are appointed by the School's Board of Directors (the Board).

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the School are classified as governmental funds. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for the School's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund is considered a major fund.

Governmental funds include:

General fund – the primary operating fund of the School accounts for all financial resources, except those required to be accounted for in other funds.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The statement of net position and the statement of activities display information about the reporting government as a whole.

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* in the GWFS.

Program Revenue

Program revenue included in the statement of activities derive directly from the program itself or from parties outside the School's citizenry, as a whole; program revenue reduces the cost of the function to be financed from the School's general revenue. Program revenue includes charges to students or applicants who purchase, use, or directly benefit from the goods or services provided by the given function.

Fund Financial Statements

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual, defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenue available if they are collected within 90 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities and deferred outflows and inflows of resources, as applicable, are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance.

The governmental funds use the following practices in recording revenue and expenditures:

Revenue

Entitlements and shared revenue (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available (collected within 90 days of year-end) when cash is received by the School and are recognized as revenue at that time. The School's period of availability is 90 days subsequent to year end.

Expenditures

Salaries are recorded as incurred. The School has employees who do not work year-round, but receive salary payments on a monthly basis; salaries earned, but unpaid, have been accrued as of June 30, 2023.

Receivables

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectible items have been recorded as of June 30, 2023.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Capital Assets

Capital assets are recorded at historical cost and depreciated/amortized over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated acquisition value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands.

Straight-line depreciation is used based on the following estimated useful lives:

Furniture and equipment	3-7 years
Computers	5 years
Capital improvements	10 years

The School's capitalization threshold is \$1,500. The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

Leases

The School is a lessee for a noncancellable lease of office space. The School recognizes a lease liability and an intangible right-to-use lease asset in the government wide financial statements.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

It is the School's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balances of Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School has historically shown prepaids as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the general obligations and are restricted through debt covenants.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification includes amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or by the Board delegating this responsibility to the Chief Administrative Officer or her designee through the budgetary process.

Unassigned: This classification includes the residual fund balance for the general fund and the amount established for minimum funding.

The School would typically use restricted fund balances first, followed by committed resources, and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Grants and Other Intergovernmental Revenue

Federal and state reimbursement-type grants are recorded as intergovernmental revenue when the related expenditures/expenses are incurred and, in the governmental funds, when the revenue meets the availability criterion.

Note 2 - Cash

At June 30, 2023, the School’s cash consisted of the following:

Cash				
Insured		\$	250,000	
Uninsured and not collateralized			<u>1,535,492</u>	
Total bank balance of deposits		\$	<u><u>1,785,492</u></u>	

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The School follows the requirements of the Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of School funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for the School’s funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The School's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the School to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School’s policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investment in a single issuer. The School's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the state to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

Note 3 - Capital Assets

A summary of activity in the capital assets is as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Capital assets being depreciated				
Furniture and equipment	\$ 80,886	\$ 132,235	\$ (39,914)	\$ 173,207
Right-to-use leased office space	486,069	-	-	486,069
Computers	28,490	-	-	28,490
Capital improvements	12,945	-	-	12,945
	<u>608,390</u>	<u>132,235</u>	<u>(39,914)</u>	<u>700,711</u>
Less accumulated depreciation and amortization for				
Furniture and equipment	(43,983)	(13,138)	39,914	(17,207)
Right-to-use leased office space	(116,657)	(116,657)	-	(233,314)
Computers	(3,166)	(9,497)	-	(12,663)
Capital improvements	(1,431)	(2,147)	-	(3,578)
	<u>(165,237)</u>	<u>(141,439)</u>	<u>39,914</u>	<u>(266,762)</u>
Total capital assets, subject to depreciation and amortization	<u>443,153</u>	<u>(9,204)</u>	<u>-</u>	<u>433,949</u>
Total capital assets, net	<u>\$ 443,153</u>	<u>\$ (9,204)</u>	<u>\$ -</u>	<u>\$ 433,949</u>

Depreciation and amortization expense was charged to operation and maintenance of facilities function of the School.

Note 4 - Leases

In a prior year the School entered into an agreement to lease office space for 60 months. As of July 1, 2021, upon adoption of GASB 87, an initial lease liability was recorded in the amount of \$486,069. As of June 30, 2023, the value of the lease liability was \$274,772. Under the terms of the lease, the School pays a monthly base fee of \$9,733, increasing 4.0% annually on the anniversary of the agreement. The right to use asset is being amortized over the life of the lease. The value of the right to use asset as of June 30, 2023 was \$486,069 and had accumulated amortization of \$233,314. The School used a discount rate of 4.50% based on estimated incremental borrowing rate.

Remaining obligations associated with this lease are:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 120,628	\$ 9,913	\$ 130,541
2025	131,499	4,263	135,762
2026	22,645	127	22,772
Total	<u>\$ 274,772</u>	<u>\$ 14,303</u>	<u>\$ 289,075</u>

Note 5 - Concentrations

The School's principal source of support is state and federal-based support revenue. For the year ended June 30, 2023, these funding sources accounted for approximately 99% of all revenue.

Note 6 - Benefit Plan

The School has a 401(k) retirement plan. All employees 21 years of age are eligible to participate in the plan. The School contributes 4% of all eligible employee's salaries to the plan. For the year ended June 30, 2023, the School matched \$31,882.



Required Supplementary Information
June 30, 2023

Lumen Scholar Institute

Lumen Scholar Institute

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenue				
State aid	\$ 3,908,955	\$ 3,748,706	\$ 3,785,111	\$ 36,405
Federal aid	93,521	118,386	118,209	(177)
Earnings on investments	20,000	24,209	26,226	2,017
Other local sources	-	101	4,253	4,152
Total revenue	4,022,476	3,891,402	3,933,799	42,397
Expenditures				
Instructional	2,666,192	2,249,077	2,146,917	102,160
Support services				
Students	460,217	900,743	811,247	89,496
Staff assistance	85,050	53,863	60,185	(6,322)
General	10,440	279	279	-
School administration	456,365	444,655	535,127	(90,472)
Central services	99,994	311,737	346,597	(34,860)
Operation and maintenance of facilities	210,500	156,221	35,179	121,042
Transportation	5,000	2,100	1,246	854
Total support services	1,327,566	1,869,598	1,789,860	79,738
Non-instructional				
Capital outlay	-	132,235	132,235	-
Debt service				
Principal	-	-	110,430	(110,430)
Interest	-	-	15,090	(15,090)
Total debt service	-	-	125,520	(125,520)
Total expenditures	3,993,758	4,250,910	4,194,532	56,378
Net Change in Fund Balance	\$ 28,718	\$ (359,508)	\$ (260,733)	\$ 98,775

Note 1 - Basis of Budgeting

The School follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School's Principal is appointed as the budget officer. Before June 1 of each year, the budget officer shall prepare a tentative budget, with supporting documentation, to be submitted to the Board.
2. The tentative budget and supporting documents shall include the following items:
 - a. The revenue and expenditures of the preceding fiscal year,
 - b. The estimated revenue and expenditures of the current fiscal year,
 - c. A detailed estimate of the essential expenditures for all the purposes for the next succeeding fiscal year, and
 - d. The estimated financial condition of the School at the close of the fiscal year.
3. The tentative budget shall be filed with the School's Principal for public inspection at least 15 days before the date of the tentative budget's proposed adoption by the Board.
4. Before June 30 of each year, the Board will adopt a budget for the next fiscal year.
5. By the sooner of July 15 or 30 days of adopting a budget, the Board will file a copy of the adopted budget with the state auditor and the State Board of Education.



Compliance Reports
June 30, 2023

Lumen Scholar Institute



**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***

The Board of Directors
Lumen Scholar Institute
Orem, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Lumen Scholar Institute (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and the related notes to the financial statements and have issued our report thereon dated November 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the 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 School’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing and not to provide an opinion on the effectiveness of the 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 the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Ogden, Utah
November 7, 2023



**Independent Auditor's Report on Compliance and Report on Internal Control over Compliance
as Required by the *State Compliance Audit Guide***

The Board of Directors
Lumen Scholar Institute
Orem, Utah

Report on Compliance

We have audited Lumen Scholar Institute's (the School) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023, in the following areas:

- Budgetary Compliance
- Fraud Risk Assessment
- Cash Management
- Open and Public Meetings Act
- Internal Control Systems
- Public Education Programs

Opinion on Compliance

In our opinion, the School complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

Basis for Opinion

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 (*Government Auditing Standards*); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School 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. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's 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 the School'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 Guide 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 School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, 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 School'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 the School'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 Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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 to detect and correct noncompliance with a state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Ogden, Utah
November 7, 2023