

**ESUCCEED VIRTUAL SCHOOL INC
GILMAN, WISCONSIN**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021



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**ESUCCEED VIRTUAL SCHOOL, INC (AN INSTRUMENTALITY
OF THE GILMAN SCHOOL DISTRICT)
GILMAN, WISCONSIN
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
eSucceed Virtual School, Inc
Gilman, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of eSucceed Virtual School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

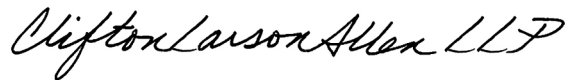
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of eSucceed Virtual School, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2022 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
January 24, 2022

BASIC FINANCIAL STATEMENTS

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Cash and Investments	\$ 132,513
Accounts Receivable	524
Total Assets	<u>\$ 133,037</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 48
Unearned Revenues	132,989
Total Liabilities	<u>133,037</u>

NET ASSETS

Without donor restrictions	<u>-</u>
Total Net Assets	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 133,037</u>

*See independent auditor's report.
The accompanying notes are an integral part of these financial statements.*

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

REVENUES

Membership revenue	\$ 48,000
Open enrollment tuition and fees	990,223
Federal government grant	210,284
State government grant	98
Miscellaneous revenue	500
Total Revenues	1,249,105

EXPENDITURES

Program Services:	
Academic Programs	1,201,309
Support Services:	
Management and General	18,390
Fundraising Activities	29,406
Total Expenditures	1,249,105

Change in Net Assets

-

Net Assets - Beginning of Year

-

NET ASSETS - END OF YEAR

\$ -

*See independent auditor's report.
The accompanying notes are an integral part of these financial statements.*

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2021**

Functions/Programs	Program Services	Support Services		Total Expenses
	Academic Expenses	Management and General	Fundraising	
Personnel Expenses:				
Labor	\$ 383,490	\$ -	\$ -	\$ 383,490
Fringe benefits	84,759	-	-	84,759
Operating Expenses:				
Legal	22,327	-	-	22,327
Consulting services:				
Staff training	45,864	13,340	-	59,204
Social media advertising	-	-	10,352	10,352
IT & software services	85,691	-	-	85,691
Curriculum development	241,811	-	-	241,811
Director's contract	134,663	-	-	134,663
Communication costs	20,303	-	-	20,303
Advertising	-	-	19,054	19,054
Travel	1,126	43	-	1,169
Instructional media	10,517	-	-	10,517
Supplies	162,702	-	-	162,702
Insurance	-	5,007	-	5,007
Dues and fees	8,056	-	-	8,056
Total Functional Expenses	<u>\$ 1,201,309</u>	<u>\$ 18,390</u>	<u>\$ 29,406</u>	<u>\$ 1,249,105</u>

*See independent auditor's report.
The accompanying notes are an integral part of these financial statements.*

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2021**

Cash Flow From Operating Activities:

Change in net assets	\$ -
Adjustments to reconcile change in net assets to cash used by operating activities:	
Decrease in accounts receivable	105,891
Decrease in accounts payable	(78,996)
Increase in Unearned Revenue	<u>132,989</u>
Net Cash Used By Operating Activities	159,884
Cash (Overdraft), Beginning of Year	<u>(27,371)</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 132,513</u></u>

*See independent auditor's report.
The accompanying notes are an integral part of these financial statements.*

ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of eSucceed Virtual School, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's board, which are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

A. Nature of Activities

The Organization is a non-profit organization incorporated on December 7, 2018, under chapter 181 of the Wisconsin Statutes. The Organization while an instrumentality of the School District of Gilman and the consortium of a total of seven Wisconsin public schools, the governance board has autonomy in making decisions for the effective operations of a virtual public school for grades kindergarten through twelve. The goal of the Organization is to help students excel academically and personally through a relevant, effective and innovative learning environment. Membership fees and open enrollment tuition from member districts, open enrollment fees from students located outside the consortium and grants are the sources of revenue for the Organization.

B. Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes of net assets; net assets with donor restrictions and net assets without donor restrictions:

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time. There are no net assets in this class.

Net Assets Without Donor Restrictions – Net assets which represent resources generated from operations or that are not subject to donor-imposed restrictions.

ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

D. Use of Estimates In Preparing Financial Statements

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

E. Equipment and Furniture

Expenditures for the acquisition of equipment are expensed when incurred unless the individual cost of an item is \$5,000 or more. The Organization has computer equipment used by its staff and students, equipment is inventoried annually and none has been capitalized as of year-end.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, management considers all short-term investments with a maturity of three months or less to be cash equivalents.

G. Allowance for Doubtful Accounts

Accounts receivable are due within 30 days of billing and are considered delinquent if not paid within that period. An allowance for doubtful accounts has not been established as it is the management's policy to use the direct write-off method for accounts deemed to be uncollectible.

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Functional Expense

The costs of supporting the Organization's activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of the expenses by function. Most expenses represent direct costs of academic programs, legal, board travel and a portion of the director's contract and travel were allocated to administration and all advertising expenses were allocated to fundraising.

I. Fair Value Measurement

The carrying amounts of current assets and current liabilities approximate their fair value.

J. Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$19,054 for the year.

K. Revenue Recognition

Membership Dues - FASB ASU 2019-09 Revenue from Contracts with Customers (Topic 606) outlines a single comprehensive model for accounting for revenue from contracts with customers. We adopted the standard on July 1, 2019. Our membership revenue is considered an exchange with the performance obligation being the operation of the charter school for consortium districts. Revenue is recognized in an over time manner per the consortium cooperative agreement.

Federal Funding - Federal grants and contracts that are conditioned upon the performance of certain requirements or incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the school has met the barriers of each grant agreement. As of June 30, 2021 there are no conditional amounts for federal funds.

Tuition and Fees - Amounts received from the state and school districts are conditional contributions and are recognized as revenue by the School based on a per student count as the School has met the barrier of providing educational services to students. As of June 30, 2021 there are no conditional amounts for federal funds.

**ESUCCEED VIRTUAL SCHOOL, INC
GILMAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 INCOME TAXES

The Organization is incorporated under Chapter 181 of the Wisconsin Statutes without stock and has applied for tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Organization's current accounting policy regarding uncertain tax positions is to evaluate, at least annually, the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization believes that it has no material exposure to a liability due to income tax.

NOTE 3 RISK MANAGEMENT

The Organization purchases commercial insurance as its method of defraying risk of loss from natural causes, general liability and theft. The Organization assumes any liability for any deductible and claims in excess of coverage limitations.

NOTE 4 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2022, the date that the financial statements were available to be issued.

NOTE 5 LIQUIDITY MANAGEMENT

The Organization had \$132,513 cash balance at June 30, 2021 to support general expenditures for the coming year. The intent of the consortium membership is to fund operations on an annual basis and not accumulate an unnecessary amount of net assets in advance of costs incurred.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
eSucceed Virtual School, Inc.
Gilman, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of eSucceed Virtual School, Inc (the Organization), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our opinion thereon dated January 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

The Organization's Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
January 24, 2022

**ESUCCEED VIRTUAL SCHOOL, INC (AN INSTRUMENTALITY
OF THE GILMAN SCHOOL DISTRICT)
GILMAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

FINDING: 2021-001 Limited Segregation of Duties – Material Weakness in Internal Control Over Financial Reporting

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: The Director of Business Services performs most accounting functions in the receipt and billing, accounts payable disbursement and payroll processing transaction cycles and maintains the general ledger.

Context: The limited size of staff of the Charter School and District that are responsible for accounting and financial duties may preclude a complete segregation of incompatible duties. The Charter School has informed us that it may not be cost effective to hire the additional personnel required to achieve complete segregation of duties.

Cause: The condition is due to limited staff available.

Effect: Lack of segregation of duties could result in a financial statement misstatement, caused by error or fraud that would not be detected or prevented by Charter School staff.

Recommendation: The Charter School should continue to evaluate its staffing in order to segregate incompatible duties whenever possible.

Repeat Finding: See 2020-001

Views of Responsible Officials and Planned Corrective Actions: The Charter School continues to work to achieve segregation of duties whenever cost effective. The District Administrator is the official responsible for ensuring corrective action of the deficiency.

**ESUCCEED VIRTUAL SCHOOL, INC (AN INSTRUMENTALITY
OF THE GILMAN SCHOOL DISTRICT)
GILMAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

FINDING: 2021-002 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP) – Material Weakness in Internal Control Over Financial Reporting

Criteria: The Charter School is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including related disclosures, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Condition: The Charter School does not have an internal control policy in place over annual financial reporting that would enable management to conclude its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Context: The Charter School has made the decision due to cost and other considerations to outsource the preparation of the annual financial statements including footnote disclosures.

Cause: The Charter School relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have designated an individual with suitable skill, knowledge, or experience to oversee their preparation and have reviewed, approved and accepted responsibility for the annual financial statements and related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the Charter School's internal controls.

Recommendation: The Charter School should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Repeat Finding: 2020-002

Views of Responsible Officials and Planned Corrective Actions: The Charter School will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures in accordance with GAAP. District management will review, approve, and accept responsibility for these financial statements prior to the issuance. The District Superintendent is the official responsible for ensuring corrective action of the deficiency.