

LIBERTY HIGH SCHOOL, INC.

Audited Financial Statements
June 30, 2022 and 2021

LIBERTY HIGH SCHOOL, INC.
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June 30, 2022 and 2021

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Independent Auditor's Report on the Financial Statements

Board of Directors
Liberty High School, Inc.
Globe, Arizona

Opinion

We have audited the accompanying financial statements of Liberty High School, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty High School, Inc. as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Liberty High School, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Liberty High School, Inc.'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 Responsibility 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 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.

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Independent Auditor's Report on the Financial Statements (Continued)

In performing an audit in accordance with generally accepted 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 Liberty High School, Inc.'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 Liberty High School, Inc.'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 16, 2022, on our consideration of Liberty High School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Liberty High School, Inc.'s internal control over financial reporting and compliance.



Henry J. Fortino, CPA, PC
Tucson, Arizona
September 16, 2022

LIBERTY HIGH SCHOOL, INC.
Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 319,862	\$ 304,200
Restricted cash - classroom site fund	114,384	49,123
Accounts receivable	340	76,588
Other current assets	4,400	2,000
Total Current Assets	438,986	431,911
Property and Equipment, net	126,275	55,879
Total Assets	\$ 565,261	\$ 487,790
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,910	\$ 2,105
Due to State of Arizona	52,055	-
Accrued payroll and related expenses	19,075	27,196
Total Current Liabilities	78,040	29,301
NET ASSETS		
Net assets without donor restrictions	360,065	403,511
Net assets with donor restrictions	127,156	54,978
Total Net Assets	487,221	458,489
Total Liabilities and Net Assets	\$ 565,261	\$ 487,790

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

LIBERTY HIGH SCHOOL, INC.
Statements of Activities

	Years Ending June 30,	
	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Revenue and Reclassifications:		
State equalization revenue	\$ 541,168	\$ 694,122
Federal grants	117,998	101,584
Other revenue	5,804	4,963
Amounts released from restrictions	152,518	208,726
Total Support, Revenue and Reclassifications	817,488	1,009,395
Expenses:		
Academic programs:		
Salaries and wages	325,528	299,957
Payroll taxes and employee benefits	105,013	112,939
Rent and other occupancy costs	59,692	78,217
Supplies	11,676	35,675
Purchased services	21,607	24,952
Student transportation	12,175	7,026
Depreciation	34,302	20,424
Total Academic Programs	569,993	579,190
General and administration:		
Salaries and wages	168,500	174,811
Payroll taxes and employee benefits	79,329	79,260
Rent and other occupancy costs	10,234	4,880
Supplies	2,801	2,017
Purchased services	30,077	40,506
Total General and Administration	290,941	301,474
Total Expenses	860,934	880,664
Increase (Decrease) in Net Assets Without Donor Restrictions	(43,446)	128,731
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
State support - restricted	76,902	55,781
Federal support-restricted	147,794	163,581
Net assets released from restrictions	(152,518)	(208,726)
Increase in Net Assets With Donor Restrictions	72,178	10,636
Increase in Net Assets	28,732	139,367
NET ASSETS BEGINNING OF YEAR	458,489	319,122
NET ASSETS END OF YEAR	\$ 487,221	\$ 458,489

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

LIBERTY HIGH SCHOOL, INC.
Statements of Cash Flows

	Years Ending June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 28,732	\$ 139,367
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	34,302	20,424
Gain on disposal of property and equipment	(1,500)	-
Changes in:		
Other current assets	(2,400)	480
Accounts receivable	76,248	(70,450)
Accounts payable and other accrued expenses	48,739	4,356
Net Cash Provided by Operating Activities	184,121	94,177
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(103,198)	(16,800)
Net Cash Used by Investing Activities	(103,198)	(16,800)
Increase in Cash	80,923	77,377
CASH AT BEGINNING OF YEAR	353,323	275,946
CASH AT END OF YEAR	\$ 434,246	\$ 353,323
COMPONENTS OF CASH BALANCE:		
Cash	\$ 319,862	\$ 304,200
Restricted cash - classroom site fund	114,384	49,123
Total Cash	\$ 434,246	\$ 353,323

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

NOTE 1 -- PURPOSE AND ORGANIZATION

Liberty High School, Inc. (the "School") was organized as a not-for-profit organization established in the State of Arizona in June 1996 to provide a safe environment which encourages lifelong learning for students, staff, parents and community. The School accomplishes its vision by being a learning center providing a flexible, supportive and safe environment, delivering a changing curriculum, and by meeting the individual needs of the community of learners. It believes that respecting, valuing and supporting each other helps build a better community. The School operates under a Charter Contract with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. The School provides educational services to students in the seventh through twelfth grade in Globe, Arizona.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying financial statements have been prepared in accordance with the standards for financial reporting for not-for-profit organizations. These standards require presentation of a statement of financial position, a statement of activities and a statement of cash flows. They also require the classification of resources into two classes of net assets based on the absence or existence of donor-imposed restrictions.

In order to observe restrictions, which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the School to meet the stipulations or become without donor restrictions at a date specified by the donor.

Income Taxes

Liberty High School, Inc. is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. It is not classified as a private foundation. The School's federal Income Tax Returns are subject to examination by the IRS, generally for three years after they are filed.

Cash

For purposes of the statement of cash flows, cash consists of checking accounts. Classroom site fund monies are restricted by State statute for teacher compensation increases and employment-related expenses, and other projects defined as class size reduction, teacher compensation increases, AZ achievement, teacher development, dropout prevention programs, and teacher liability insurance premiums.

Donations-In-Kind

Material donations-in-kind received by the School are recorded as income along with a corresponding charge to expense or capitalized cost. No donations-in-kind were received for the years ended June 30, 2022 and 2021.

Property and Equipment

Property and Equipment additions of \$1,000 or more and an estimated useful life of one year or more are capitalized. Assets donated to the School are recorded at their estimated fair value at the time received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or lease term if lower for leasehold improvements.

LIBERTY HIGH SCHOOL, INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support

Revenue consists primarily of equalization payments from the State of Arizona and are based on student enrollment. Support consists primarily of federal grants passed through the State of Arizona and classroom site funds from the State of Arizona.

Revenue is recorded as an increase in net assets without donor restrictions when earned by the School as services are provided to students. Accounts receivable consists primarily of amounts due from the State of Arizona for Federal pass through grants and are considered fully collectable. Amounts due to the State of Arizona are for overpayments of equalization.

Contributions are recorded when unconditionally promised to the School and are considered available for the School's general programs unless specifically restricted by the donor. Federal grants are considered promised when the expenses incurred under the grants are incurred. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases the respective class of net assets.

The School uses volunteers in its academic programs. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by contribution, and which require specialized skills provided by individuals possessing such skills. There was no material contributed services meeting these criteria during the years ending June 30, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE 3 -- CONCENTRATIONS OF CREDIT RISK

The School places its cash balances with a high credit quality financial institution. At times, these cash balances may be in excess of the FDIC insurance limit of \$250,000. At June 30, 2022, approximately \$150,000 of the cash balance was uninsured. The School does not require collateral to support its credit risks for financial instruments.

NOTE 4 -- PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$206,346	\$198,781
Leasehold improvements	<u>73,495</u>	<u>0</u>
	279,841	198,781
Accumulated depreciation	<u>(153,566)</u>	<u>(142,902)</u>
	<u>\$126,275</u>	<u>\$ 55,879</u>

NOTE 5 -- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, certain costs are allocated among the programs and supporting services benefited. Costs associated with individual functions are expensed directly as incurred. Payroll taxes and employee benefits are allocated based on gross payroll. Rent and occupancy costs are allocated based on square footage.

LIBERTY HIGH SCHOOL, INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 6 -- OBLIGATION UNDER LEASE

The School has a lease agreement for its campus site that expires June 30, 2023. Lease commitments under the lease are as follows: 2023 -\$28,800. The lease contains a renewal option of five years. Total rental expense was \$28,800 per year for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 -- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have the following balances at June 30:

	<u>2022</u>	<u>2021</u>
Classroom site fund	\$114,384	\$49,123
Instructional improvement	10,166	3,051
Extracurricular activities or character development	677	875
Other donor restricted	<u>1,929</u>	<u>1,929</u>
	<u>\$127,156</u>	<u>\$54,978</u>

NOTE 8 -- RETIREMENT PLAN

Plan Description – Substantially all permanent full-time and certain part-time employees are eligible to contribute to a cost-sharing multiple-employer pension plan administered by the Arizona State Retirement System. Benefits are established by Arizona Statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the School’s contribution rate. For the years ended June 30, 2022 and 2021, active plan members and the School were each required by statute to contribute at the actuarially determined rate of 12.41% (12.22% retirement and 0.19% long-term disability) and 12.22% (12.04% retirement and 0.18% long-term disability), respectively, of the members’ annual covered payroll. The School’s contributions to the Arizona State Retirement System for the years ended June 30, 2022 and 2021, were \$51,188 and \$54,596, respectively.

NOTE 9 -- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

The School strives to maintain liquid financial assets sufficient to cover 45 days of general expenditures. Financial assets in excess of daily cash requirements are not invested but are maintained in the School’s checking account.

The following table reflects the School’s financial assets as of June 30, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$434,246	\$353,323
Accounts receivable	<u>340</u>	<u>76,588</u>
Total financial assets	434,586	429,911
Net assets with donor restrictions	<u>(127,156)</u>	<u>(54,978)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$307,430</u>	<u>\$374,933</u>

LIBERTY HIGH SCHOOL, INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 10 -- COMPLIANCE

The School's compliance with certain laws and regulations is subject to review by its Sponsor and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of State equalization revenue or other corrective action.

NOTE 11 -- SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 16, 2022, the date the financial statements were available to be issued.



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements in Accordance with
Government Auditing Standards**

Board of Directors
Liberty High School, Inc.
Globe, Arizona

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 Liberty High School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Liberty High School Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Liberty High School Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Liberty High School, Inc.'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Liberty High School, Inc.'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 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 that are required to be reported under *Government Auditing Standards*.

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements in Accordance with
Government Auditing Standards (Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Liberty High School, Inc.'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 Liberty High School, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
September 16, 2022