



December 2, 2019

To the Board of Directors
Athlos Academy of Utah
Herriman, Utah

We have audited the financial statements of Athlos Academy of Utah as of and for the year ended June 30, 2019, and have issued our report thereon dated December 2, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 27, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Athlos Academy of Utah solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our 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* dated December 2, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Athlos Academy of Utah is included in Note 1 to the financial statements. Athlos Academy of Utah has adopted the provisions of FASB Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such estimates were identified.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We noted no misstatements as a result of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Athlos Academy of Utah's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December 2, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Athlos Academy of Utah, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Athlos Academy of Utah's auditors.

This report is intended solely for the information and use of the Board of Directors and management of Athlos Academy of Utah and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah

Athlos Academy of Utah

Financial Statements

For the Year Ended June 30, 2019

Athlos Academy of Utah

Table of Contents

June 30, 2019

	<u>Beginning on page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
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 <i>Government Auditing Standards</i>	13
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State Compliance Audit Guide</i>	15



Independent Auditor's Report

The Board of Directors
Athlos Academy of Utah
Herriman, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Athlos Academy of Utah, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then 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.

Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athlos Academy of Utah as of June 30, 2019, 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 a report dated December 2, 2019 on our consideration of Athlos Academy of Utah'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 Athlos Academy of Utah'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 Athlos Academy of Utah's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Sallly LLP".

Ogden, Utah
December 2, 2019

Athlos Academy of Utah
Statement of Financial Position
June 30, 2019

Assets

Current Assets

Cash	\$ 1,365,835
Accounts receivable	92,811
Prepaid expense	<u>34</u>

Total current assets 1,458,680

Property and equipment, net 19,065,322

Total assets \$ 20,524,002

Liabilities and Net Deficit

Current Liabilities

Accounts payable	\$ 225,804
Accrued liabilities	388,622
Accrued interest	<u>132,751</u>

Total current liabilities 747,177

Capital lease 21,594,022

Total liabilities 22,341,199

Net Deficit

Without donor restrictions	(2,049,828)
With donor restrictions	<u>232,631</u>

Total net deficit (1,817,197)

Total liabilities and net deficit \$ 20,524,002

Athlos Academy of Utah
Statement of Activities
For the Year Ended June 30, 2019

Change in net deficit without donor restrictions:

Revenue and gains:	
State education support	\$ 6,308,589
Federal grants	114,688
Student fees	7,050
Student activities and program revenue	212,262
Contributions	22,755
Net assets released from restriction (Note 3)	<u>289,025</u>

Total revenue and gains	<u>6,954,369</u>
-------------------------	------------------

Expenses and losses:	
Program expenses - education	7,541,792
Management and general	89,390
Fundraising expense	<u>997</u>
Total expenses and losses	<u>7,632,179</u>

Change in net deficit without donor restrictions	<u>(677,810)</u>
--	------------------

Change in net assets with donor restrictions:

Revenue with donor restrictions	232,631
Less net assets released from restriction (Note 3)	<u>(289,025)</u>

Decrease in net assets with donor restrictions	<u>(56,394)</u>
--	-----------------

Change in net deficit	(734,204)
-----------------------	-----------

Net deficit at beginning of year	<u>(1,082,993)</u>
----------------------------------	--------------------

Net deficit at end of year	<u>\$ (1,817,197)</u>
----------------------------	-----------------------

Athlos Academy of Utah
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program	Management and General	Fund- raising	Total
Salaries and wages				
Instructional	\$ 2,373,130	\$ -	\$ -	\$ 2,373,130
Administrative	225,209	-	-	225,209
Support personnel	337,760	2,000	-	339,760
Employee benefits	558,603	498	-	559,101
Management services	71,762	-	-	71,762
Instruction enhancement	21,313	-	-	21,313
Training and development services	13,969	-	-	13,969
Professional services	752,073	79,879	-	831,952
Technical services	37,485	-	-	37,485
Utilities	24,401	-	-	24,401
Property maintenance	94,473	-	-	94,473
Property rental	20,076	-	-	20,076
Insurance	28,602	-	-	28,602
Communication expense	25,161	-	-	25,161
Advertising	5,845	-	-	5,845
Travel expense	24,705	124	-	24,829
Textbooks and educational materials	165,743	-	-	165,743
General supplies and materials	317,027	6,889	997	324,914
Interest	1,547,112	-	-	1,547,112
Depreciation	897,343	-	-	897,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 7,541,792</u>	<u>\$ 89,390</u>	<u>\$ 997</u>	<u>\$ 7,632,179</u>

Athlos Academy of Utah
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

Change in net deficit	\$ (734,204)
Adjustments to reconcile change in net deficit:	
Depreciation of property and equipment	897,343
Changes in operating assets and liabilities:	
Accounts receivable	49,941
Prepaid expense	(34)
Accounts payable	140,420
Accrued liabilities	30,083
Accrued interest	<u>(34,304)</u>
 Total adjustments	 <u>1,083,449</u>
 Net change in cash	 349,245
 Cash at beginning of year	 <u>1,016,590</u>
 Cash at end of year	 <u><u>\$ 1,365,835</u></u>
 Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	\$ 1,581,416

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

1-A. Organization and Principal Activity

Athlos Academy of Utah (the School) was incorporated in the State of Utah on September 29, 2014 as a nonprofit organization involved in public education. The School operates a public charter school in Herriman, Utah, and serves students from kindergarten through grade six.

The School provides the following activities: Education, encompassing instruction, student and staff support activities, facilities maintenance and operations, and food services. Supporting services include management and general and fundraising services which are overall entity-related administrative costs.

1-B. Basis of Accounting

The accompanying financial statements have been prepared on the full accrual basis of accounting. Revenues are recognized as discussed below. Expenses generally are recognized when a liability is incurred.

1-C. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

1-D. Revenue and Revenue Recognition

State Funding - The School receives funding from the State of Utah as administered by the Utah State Board of Education based on the number of students enrolled in its school. The State provides unrestricted funding for normal school operations and restricted funds for specific school-related activities or functions. Unrestricted funding is recognized as revenue when received. Funding for which qualifying expenses have not been incurred is recorded as net assets with donor restrictions in the School's statement of financial position.

Federal Grants - The School has received federal charter school grants, which are paid through the Utah State Board of Education. Funds are generally received on a reimbursement basis and, accordingly, revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met.

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions and Donated Services - Contributions without donor restrictions are recognized as revenue when received. Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the School would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

1-E. Income Taxes

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

The School believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The School would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

1-F. Estimates

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates and differences could be material.

1-G. Financial Instruments and Credit Risk

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

1-H. Cash

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash. The School has no restricted cash at June 30, 2019.

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

1-I. Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the School deems all amounts to be fully collectible. Substantially all outstanding receivables as of June 30, 2019 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

1-J. Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 25 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

1-K. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

1-L. Recently Adopted Accounting Pronouncements

As of July 1, 2018, the School adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the School's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (concluded)

1-M. - Recent Accounting Guidance

The Financial Accounting Standards Board (FASB) has issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which will be effective for the School's financial statements during the period ending June 30, 2020. This new standard amends much of the existing accounting guidance on revenue recognition. The core principle of the new guidance is that the School should recognize revenue to match the transfer of promised goods or services to the customer in an amount that reflects the consideration in exchange for those goods or services.

Note 2. Liquidity and Availability

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

Cash	\$ 1,365,835
Accounts receivable	<u>92,811</u>
Total	<u>\$ 1,458,646</u>

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions were received in the amount of \$232,631. Net assets were released from donor restriction and reclassified as without donor restrictions in the amount of \$289,025. A listing of the related programs and amounts follows:

	Net Assets with Donor Restrictions	Released From Restriction
State Special Education	\$ 24,661	\$ 113,544
Charter School Start-Up	-	97,814
State Educator Salary Adjustment	30,360	18,057
State Library Books & Materials	1,998	915
State Gang Prevention	1,040	1,040
State School Land Trust	10,233	-
State School Lunch	<u>164,339</u>	<u>57,655</u>
Total	<u>\$ 232,631</u>	<u>\$ 289,025</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30, 2019:

Facilities capital lease	\$21,594,022
Equipment	<u>17,327</u>
	21,611,349
Less accumulated depreciation	<u>(2,546,027)</u>
	<u>\$19,065,322</u>

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 5. Employee Retirement Plans

The School has a 401(k) retirement plan. All full-time teachers and administrators are eligible to participate in the plan. The School contributes 4% of all eligible employee's salaries to the plan. The School contributed \$56,736 to the plan during the year ended June 30, 2019.

Note 6. Concentrations

The majority of the School's revenue comes from the State of Utah and the U.S. Department of Education (passed through the Utah State Board of Education). State and Federal revenues were 93% of total revenue and support for the year ended June 30, 2019.

Note 7. Advertising

The School expenses advertising costs as such costs are incurred. The amount of advertising cost for the year ending June 30, 2019 was \$5,845.

Note 8. Related Party Capital Lease

The School leased their school building facility from a related party, commencing August 1, 2016. Annual rental payments are paid monthly. During the fiscal year ended June 30, 2017 and annually thereafter, the monthly payment is increased by 2.5%. Management has determined this lease is a capital lease. The capital lease obligation has been calculated based on the future lease payments discounted using an imputed interest rate of 6.8% for the 25 year term of the lease.

Property under capital leases at June 30, 2019, includes land and building. At May 31, 2019, the terms of the lease were amended to reduce to the future minimum lease payments. The effect of the reduction was to reduce the net present value of the lease payments by \$848,382. The property under capital lease has a capitalized cost of \$21,594,022 and accumulated depreciation of \$2,540,644, resulting in a net book value of \$19,053,375 at June 30, 2019.

Future minimum lease payments under this capital lease obligation are as follows:

<u>Year ending June 30,</u>	
2020	\$ 1,584,636
2021	1,651,496
2022	1,624,661
2023	1,658,427
2024	1,699,884
Thereafter	<u>36,755,096</u>
Total minimum lease payments	44,974,200
Less amount representing interest	<u>23,380,178</u>
Capital lease obligation	<u><u>\$ 21,594,022</u></u>

Athlos Academy of Utah
Notes to Financial Statements
June 30, 2019

Note 9. Related Party Transactions

The School has a management service agreement with Athlos Academies, the owner of the School's facility, to provide management and general services to the School. The amount paid under the service agreement for the year ended June 30, 2019 totaled \$674,059.

Note 10. Subsequent Events

The School has evaluated subsequent events through December 2, 2019, 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
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Athlos Academy of Utah
Herriman, 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 Athlos Academy of Utah which comprise the statement of financial position as of June 30, 2019, and the related statements activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athlos Academy of Utah'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 Athlos Academy of Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of Athlos Academy of Utah'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 may exist that have not yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Athlos Academy of Utah'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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
December 2, 2019



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

To the Board of Directors
Athlos Academy of Utah

Report On Compliance

We have audited Athlos Academy of Utah'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, that could have a direct and material effect on the School for the year ended June 30, 2019.

State compliance requirements were tested for the year ended June 30, 2019, in the following areas:

- Budgetary Compliance
- Open and Public Meetings Act
- Public Treasurer's Bond
- Minimum School Program

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the School's compliance with those requirements.

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, 2019.

Report On Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
December 2, 2019