

**ASCENT CLASSICAL ACADEMY OF
DOUGLAS COUNTY, INC**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ascent Classical Academy of Douglas County, Inc

We have audited the accompanying financial statements of the governmental activities and each major fund of Ascent Classical Academy of Douglas County, Inc, a component unit of Douglas County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ascent Classical Academy of Douglas County, Inc, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 14, 2020

Ascent Classical Academy of Douglas County, Inc
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

As management of Ascent Classical Academy of Douglas County, Inc (ACA-DC or the School), we offer readers of Ascent Classical Academy of Douglas County, Inc's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2020 is the second year of operations for ACA-DC. As of June 30, 2020, net position increased by \$379,816 to \$218,112. Ascent Classical Academy of Douglas County, Inc's governmental fund reported an ending fund balance of \$225,072, an increase of \$57,776 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$4,250,320.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the School's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Douglas County School District). The governmental activities of ACA-DC include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2020, ACA-DC's net position was \$218,112.

Of the School's total net position, \$115,629 is invested in capital assets, \$20,000 is restricted for board operations, and \$156,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Ascent Classical Academy of Douglas County, Inc's Net Position

	2019-2020	2018-2019
ASSETS		
Cash and Cash Equivalents	\$ 432,911	\$ 253,215
Receivables	261,133	82,073
Prepays	81,157	-
Capital Assets, Net of Accumulated Depreciation	<u>115,630</u>	<u>-</u>
TOTAL ASSETS	<u>890,831</u>	<u>335,288</u>
LIABILITIES		
Accounts Payable and Other Accrued Liabilities	342,168	148,515
Unearned Revenue	207,961	19,477
Accrued Interest Payable	22,590	
Noncurrent Liabilities		
Due within One Year	<u>100,000</u>	<u>329,000</u>
TOTAL LIABILITIES	<u>672,719</u>	<u>496,992</u>
NET POSITION		
Net Investment in Capital Assets	115,629	-
Restricted for Emergencies	156,000	95,000
Restricted for Board Operations	20,000	20,000
Unrestricted	<u>(73,517)</u>	<u>(276,704)</u>
TOTAL NET POSITION	<u>\$ 218,112</u>	<u>\$ (161,704)</u>

Ascent Classical Academy of Douglas County, Inc's Change in Net Position

	2019-2020	2018-2019
REVENUES		
Per Pupil Revenue	\$ 4,250,320	\$ 2,522,840
Mill Levy Override	605,703	385,693
Grants and Contributions Not Restricted to Specific Programs	136,877	
Charges for Services	53,157	129,225
Operating Grants and Contributions	292,067	301,012
Capital Grants and Contributions	144,305	97,192
Investment Income	-	-
Miscellaneous	8,018	1,407
	<u>5,490,447</u>	<u>3,437,369</u>
TOTAL REVENUE		
EXPENSES		
Instruction	2,626,419	2,882,054
Support Services	2,484,212	711,157
	<u>5,110,631</u>	<u>3,593,211</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	379,816	(155,842)
NET POSITION, Beginning	<u>(161,704)</u>	<u>(5,862)</u>
NET POSITION, Ending	<u>\$ 218,112</u>	<u>\$ (161,704)</u>

Financial Analysis of the Government's Fund

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$225,072, an increase of \$57,776 from the prior year.

General Fund Budgetary Highlights

ACA-DC recognized \$113,189 less revenue than expected and spent \$170,823 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment.

Capital Assets & Long-Term Debt

The School has invested in capital assets for leasehold improvements and equipment. More information regarding capital assets may be found in Note 5 to the financial statements. Depreciation expenses for capital assets are booked under both the Instruction and Supporting Services programs of the School's operations.

The School has long-term debt in the form of a 2019 loan to finance operations and payoff a prior loan. The remaining outstanding amount is due in FY 2020-2021. More information regarding long-term debt may be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Ascent Classical Academy of Douglas County, Inc is student enrollment. Enrollment for the 2019-2020 school year was 517.50 funded students. Enrollment projected for 2020-2021 is 634.00 funded students. This factor was considered when preparing ACA-DC's budget for 2020-2021.

Requests for Information

This financial report is designed to provide a general overview of Ascent Classical Academy of Douglas County, Inc's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

Ascent Classical Academy of Douglas County, Inc
10004 Park Meadows Drive
Lone Tree, CO 80124

BASIC FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and investments	\$ 432,911
Receivables	261,133
Prepays	81,157
Capital assets being depreciated, net	115,630
Total Assets	890,831
LIABILITIES	
Accounts payable and other accrued liabilities	342,168
Unearned revenue	207,961
Accrued interest payable	22,590
Long-term liabilities	
Due within one year	100,000
Total Liabilities	672,719
NET POSITION	
Investment in capital assets	115,629
Restricted for:	
TABOR	156,000
Board operations	20,000
Unrestricted	(73,517)
Total Net Position (deficit)	\$ 218,112

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

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Position
					<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 2,626,419	\$ 53,022	\$ 292,067	\$ -	\$ (2,281,330)
Supporting services	2,484,212	135	-	144,305	(2,339,772)
Total governmental activities	<u>\$ 5,110,631</u>	<u>\$ 53,157</u>	<u>\$ 292,067</u>	<u>\$ 144,305</u>	<u>\$ (4,621,102)</u>
General revenues:					
					4,250,320
					605,703
					136,877
					8,018
					<u>5,000,918</u>
					379,816
					<u>(161,704)</u>
					<u>\$ 218,112</u>

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

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
BALANCE SHEET
GENERAL FUND
JUNE 30, 2020

ASSETS

Cash and investments	\$	432,911
Receivables		261,133
Prepays		81,157
		81,157
Total Assets	\$	775,201

LIABILITIES

Accounts payable and other accrued liabilities	\$	342,168
Unearned revenue		207,961
		207,961
Total Liabilities		550,129

FUND BALANCE

Non-spendable		81,157
Restricted for TABOR		156,000
Restricted for board operations		20,000
Unassigned		(32,085)
		(32,085)
Total Fund Balance		225,072

Total Liabilities and Fund Balance	\$	775,201
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The accompanying notes are an integral part of these financial statements.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$	225,072
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		115,630
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Loan payable	\$ (100,000)	
Accrued interest	<u>(22,590)</u>	<u>(122,590)</u>
Total Net Position of Governmental Activities	\$	<u><u>218,112</u></u>

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

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Local sources	\$ 781,646
State sources	4,418,818
Federal sources	<u>237,745</u>
 Total revenues	 <u>5,438,209</u>

EXPENDITURES

Instruction	2,831,099
Supporting services	<u>2,549,334</u>
 Total expenditures	 <u>5,380,433</u>

Excess (deficiency) of revenues over expenditures	57,776
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Fund balance, beginning	<u>167,296</u>
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Fund balance, ending	<u><u>\$ 225,072</u></u>
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The accompanying notes are an integral part of these financial statements.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	57,776
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Depreciation expense	\$ (11,724)	
Capital outlays	<u>127,354</u>	115,630

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position

Redemption of principal	\$ 229,000	
Accrued interest	<u>(22,590)</u>	<u>206,410</u>

Change in Net Position of Governmental Activities	\$	<u><u>379,816</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ascent Classical Academy of Douglas County, Inc (the “School”) is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized in 2017 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the “District”) in the State of Colorado. The School began admitting students in the Fall of 2018. The current charter runs through June 30, 2023 and may be renewed for an additional period by mutual agreement of the School and the District.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

A. REPORTING ENTITY

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

Based upon the application of these criteria, there are no organizations that should be included in the School’s reporting entity.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal 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 maintained is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. It is used to account for all financial resources, except those required to be accounted for in another fund.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment may be sold.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	10 years
Equipment	5 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Unearned Revenue

Unearned revenue includes resources received by the School before it has a legal claim to them.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

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 available to be 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.

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.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then 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.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all per pupil revenue.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. Management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. The variances between budget and actual may result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	<u>\$ 432,911</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	<u>\$ 432,911</u>
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Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School’s deposits at June 30, 2020 was \$432,911 and the bank balances were \$439,815. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$189,815 was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

The School is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

The School had no investments as of June 30, 2020.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 –RECEIVABLES

Receivables consists of the following at June 30, 2020:

Receivable from the District	\$ 211,703
Other receivables	<u>49,430</u>
Total	<u>\$ 261,133</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, being depreciated:				
Leasehold improvements	\$ -	\$ 104,354	\$ -	\$ 104,354
Equipment	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Total capital assets, being depreciated	-	127,354	-	127,354
Less accumulated depreciation	<u>-</u>	<u>(11,724)</u>	<u>-</u>	<u>(11,724)</u>
Total capital assets, being depreciated, net	<u>\$ -</u>	<u>\$ 115,630</u>	<u>\$ -</u>	<u>\$ 115,630</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

Instruction	\$ 4,592
Supporting services	<u>7,132</u>
	<u>\$ 11,724</u>

NOTE 6 – LONG-TERM LIABILITIES

Loan payable

On June 18, 2019, the School executed a \$329,000 loan to finance operations and payoff a prior loan. This loan bears interest at 8.0% with principal and outstanding interest due on the maturity date of June 30, 2020. \$100,000 of this loan remains outstanding at June 30, 2020.

Annual debt service requirements to maturity for the loan payable are as follows:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 100,000</u>	<u>\$ -</u>

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The changes in long-term debt for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan payable	\$ 329,000	\$ -	\$ (229,000)	\$ 100,000	\$ 100,000

NOTE 7 – OPERATING LEASES

The School leases the school facility under an operating lease. The future minimum lease payments for leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2021	\$ 663,343
2022	676,756
2023	690,169
2024	703,989
2025	1,062,744
2026-2029	<u>4,467,496</u>
Total	<u>\$ 8,264,497</u>

In addition to the base rents above, the leases require additional rents for other costs and expenses incurred by the lessor for operation, maintenance, and debt service for the leased property. For the fiscal year ended June 30, 2020, amounts expended under leases were \$755,679.

NOTE 8 - MANAGEMENT AGREEMENT

On October 17, 2017, the School entered into a Management Agreement (Agreement) with Ascent Classical Academies (Ascent), a non-profit Colorado corporation. The Agreement continues until termination or expiration of the charter contract. Substantially all functions of the School have been contracted to Ascent. Ascent is responsible and accountable to the School’s Board of Directors for the administration, operation and performance of the School in accordance with the School’s contract with District to operate the School. The School pays Ascent a monthly continuing fee of 10% of qualified gross revenues received by the School, net of any required withholding, for services performed.

The management fee earned by Ascent for the year ended June 30, 2020 was \$500,546. Ascent is responsible for all costs incurred in providing the educational program at the School, which includes but is not limited to, salaries and benefits of all personnel, academic program implementation, finance, budgeting, payroll, human resources, support for school information technology systems, marketing and outreach, and other items identified in the Management Agreement.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School purchases commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 10 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District's per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 78% of the School's revenues.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

NOTE 12 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2020 there is a \$156,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, The School has made certain interpretations of the amendment's language in order to determine its compliance.

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – RELATED PARTY TRANSACTIONS

The School has entered into loan with The Erie County Investment CO (Note 6). The loan balance at June 30, 2020 was \$100,000. The School also entered into an operating lease for its facilities with The Bailey Company, LLLP (Note 7) which commenced on July 1, 2019. \$755,679 was paid under this operation lease during the year ended June 30, 2020. A member of the School's board of directors is the CFO of these two organizations. This relationship was disclosed to other board members prior to voting on these transactions, and the related party board member was recused from all such votes.

REQUIRED SUPPLEMENTARY INFORMATION

ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources	721,814	904,204	781,646	(122,558)
State sources	4,792,595	4,418,194	4,418,818	624
Federal sources	229,000	229,000	237,745	8,745
Total revenues	5,743,409	5,551,398	5,438,209	(113,189)
EXPENDITURES				
Instruction				
Purchased services	2,507,671	2,585,757	2,495,548	90,209
Supplies	236,540	253,504	239,561	13,943
Property	35,000	85,000	94,640	(9,640)
Other	344,000	81,000	1,350	79,650
Supporting services				
Purchased services	2,126,114	2,083,947	2,119,329	(35,382)
Supplies	21,780	23,168	40,875	(17,707)
Property	45,600	186,600	144,969	41,631
Other	344,060	252,280	244,161	8,119
Total expenditures	5,660,765	5,551,256	5,380,433	170,823
Net change in fund balances	82,644	142	57,776	57,634
Fund balances - beginning	201,247	167,296	167,296	-
Fund balance - ending	\$ 283,891	\$ 167,438	\$ 225,072	\$ 57,634

See the accompanying Independent Auditors' Report.