

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

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2019

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
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**JUNE 30, 2019**

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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, 2019, 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, 2019, 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, 2019

**Ascent Classical Academy of Douglas County, Inc**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2019

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, 2019. 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, 2019 is the first year of operations for ACA-DC. As of June 30, 2019, net position decreased by \$(155,842) to \$(161,704). Ascent Classical Academy of Douglas County, Inc's governmental fund reported an ending fund balance of \$167,296, an increase of \$173,158 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 \$2,522,840.

### **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, 2019, ACA-DC's net position was \$(161,704). Of the School's total net position, \$95,000 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

	<b>2018-2019</b>
ASSETS	
Cash and Cash Equivalents	\$ 253,215
Receivables	<u>82,073</u>
<b>TOTAL ASSETS</b>	<u><b>335,288</b></u>
LIABILITIES	
Accounts Payable and Other Accrued Liabilities	148,515
Unearned Revenue	19,477
Noncurrent Liabilities	
Due within One Year	<u>329,000</u>
<b>TOTAL LIABILITIES</b>	<u><b>496,992</b></u>
NET POSITION	
Restricted for Emergencies	95,000
Restricted for Board Operations	20,000
Unrestricted	<u>(276,704)</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ (161,704)</b></u></u>

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

	<b>2018-2019</b>
<b>REVENUES</b>	
Per Pupil Revenue	\$ 2,522,840
Mill Levy Override	385,693
Charges for Services	129,225
Operating Grants and Contributions	301,012
Capital Grants and Contributions	97,192
Investment Income	-
Miscellaneous	<u>1,407</u>
TOTAL REVENUE	<u>3,437,369</u>
<b>EXPENSES</b>	
Instruction	2,882,054
Support Services	<u>711,157</u>
TOTAL EXPENSES	<u>3,593,211</u>
CHANGE IN NET POSITION	(155,842)
NET POSITION, Beginning	<u>(5,862)</u>
NET POSITION, Ending	<u><u>\$ (161,704)</u></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 \$167,296, an increase of \$173,158 from the prior year.

## **General Fund Budgetary Highlights**

ACA-DC recognized \$110,806 less revenue than expected and spent \$77,354 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 and proceeds from long-term debt were added.

## **Capital Assets & Long-Term Debt**

The School has no capital assets.

The School has long-term debt in the form of a loan to finance operations and payoff a prior loan. Principal and outstanding interest is due in June 2020. More information regarding long-term debt may be found in Note 5 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 2018-2019 school year was 324.12 funded students. Enrollment projected for 2019-2020 is 476.64 funded students. This factor was considered when preparing ACA-DC's budget for 2019-2020.

## **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, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 253,215
Receivables	82,073
Total Assets	335,288
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	148,515
Unearned revenue	19,477
Long-term liabilities	
Due within one year	329,000
Total Liabilities	496,992
<b>NET POSITION</b>	
Restricted for:	
TABOR	95,000
Board operations	20,000
Unrestricted	(276,704)
Total Net Position (deficit)	\$ (161,704)

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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in Net Position
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 2,882,054	\$ 126,841	\$ 301,012	\$ -	\$ (2,454,201)
Supporting services	711,157	2,384	-	97,192	(611,581)
Total governmental activities	<u>\$ 3,593,211</u>	<u>\$ 129,225</u>	<u>\$ 301,012</u>	<u>\$ 97,192</u>	<u>\$ (3,065,782)</u>
General revenues:					
Per pupil revenue					2,522,840
Mill levy override					385,693
Miscellaneous					1,407
Total general revenues and transfers					<u>2,909,940</u>
Change in net position					(155,842)
Net position - beginning (deficit)					<u>(5,862)</u>
Net position - ending (deficit)					<u><u>\$ (161,704)</u></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, 2019**

**ASSETS**

Cash and cash equivalents	\$ 253,215
Receivables	<u>82,073</u>
Total Assets	<u><u>335,288</u></u>

**LIABILITIES**

Accounts payable and other accrued liabilities	148,515
Unearned revenue	<u>19,477</u>
Total Liabilities	<u>167,992</u>

**FUND BALANCE**

Restricted for TABOR	95,000
Restricted for board operations	20,000
Unassigned	<u>52,296</u>
Total Fund Balance	<u>167,296</u>

Total Liabilities and Fund Balance	<u><u>\$ 335,288</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 GENERAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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

Total Fund Balance of Governmental Funds	\$ 167,296
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	<u>(329,000)</u>
Total Net Position of Governmental Activities	<u><u>\$ (161,704)</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, 2019**

<b>REVENUES</b>	
Local sources	\$ 516,325
State sources	2,620,032
Federal sources	<u>301,012</u>
Total revenues	<u>3,437,369</u>
<b>EXPENDITURES</b>	
Instruction	2,882,054
Supporting services	<u>711,157</u>
Total expenditures	<u>3,593,211</u>
Excess (deficiency) of revenues over expenditures	(155,842)
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from long-term debt	<u>329,000</u>
Net change in fund balance	173,158
Fund balance, beginning	<u>(5,862)</u>
Fund balance, ending	<u><u>\$ 167,296</u></u>

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, 2019**

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

Net Change in Fund Balance of Governmental Funds	\$ 173,158
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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

(329,000)

Change in Net Position of Governmental Activities

\$ (155,842)

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, 2019**

**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, 2019**

**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 60 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 60 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.

*Receivables*

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

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Capital assets*

Capital assets, which include buildings and improvements, equipment, and vehicles, 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.

*Unearned Revenue*

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

*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.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Fund balance classification (continued)*

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.

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.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

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**

*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, 2019 was \$253,215 and the bank balances were \$253,215. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$3,215 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*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, 2019.

**NOTE 4 –RECEIVABLES**

Receivables consists of the following at June 30, 2019:

Receivable from the District	\$ 69,074
Other receivables	<u>12,999</u>
Total	<u>\$ 82,073</u>

**NOTE 5 – 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.

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	<u>\$ 329,000</u>	<u>\$ 27,185</u>

The changes in long-term debt for the year ended June 30, 2019 were as follows:

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

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 – 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</u> <u>Ending June 30</u>	
2020	\$ 962,304
2021	981,550
2022	1,001,398
2023	1,021,245
2024	1,041,694
2025-2029	<u>5,530,241</u>
Total	<u>\$ 10,538,432</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, 2019, amounts expended under leases were \$381,249.

**NOTE 7 - 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 8% 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, 2019 was \$270,894. 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.

**NOTE 8 - 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.

**ASCENT CLASSICAL ACADEMY OF DOUGLAS COUNTY, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 – 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, 2019, this funding accounted for approximately 73% of the School's revenues.

**NOTE 10 - 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.

*Building lease payment*

The School entered an operating lease for the school building which expired on June 30, 2019. Due to lack of performance under the lease, the School provided the landlord with an intent to withhold the last month's \$38,125 rent payment.

**NOTE 11 – COMPLIANCE**

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2019 audit period as required by Colorado Statute CRS 22-44-204(3).

**NOTE 12 - 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, 2019 there is a \$95,000 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.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The School has entered into loan with The Erie County Investment CO (Note 5). The loan balance at June 30,2019 was \$329,000. The School also entered into an operating lease for its facilities with The Bailey Company, LLLP (Note 6) which commences on June 30, 2019. No amounts were paid under this operation lease during the year ended June 30, 2019. 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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
<b>REVENUES</b>				
Local sources:				
Taxes	\$ 253,038	\$ 380,335	\$ 385,694	\$ 5,359
Tuition	101,250	18,000	25,197	7,197
Fees	84,816	58,311	2,384	(55,927)
Pupil Activities	-	-	101,643	101,643
Other local revenue	-	190,236	1,407	(188,829)
	<u>439,104</u>	<u>646,882</u>	<u>516,325</u>	<u>(130,557)</u>
State sources:				
Per pupil revenue	3,635,047	2,517,753	2,522,840	5,087
Capital grants	120,054	82,778	97,192	14,414
	<u>3,755,101</u>	<u>2,600,531</u>	<u>2,620,032</u>	<u>19,501</u>
Federal sources:				
Grants	229,000	300,762	301,012	250
Total revenues	<u>4,423,205</u>	<u>3,548,175</u>	<u>3,437,369</u>	<u>(110,806)</u>
<b>EXPENDITURES</b>				
Instruction				
Purchased services	2,160,981	1,888,540	2,554,956	(666,416)
Supplies	136,900	208,963	233,453	(24,490)
Property	115,000	115,000	93,645	21,355
Other	227,361	-	-	-
Supporting services				
Purchased services	1,472,679	1,295,252	599,002	696,250
Supplies	111,418	80,095	75,915	4,180
Property	65,600	65,600	23,316	42,284
Other	7,440	17,115	12,924	4,191
Total expenditures	<u>4,297,379</u>	<u>3,670,565</u>	<u>3,593,211</u>	<u>77,354</u>
Excess (deficiency) of revenues over expenditures	<u>125,826</u>	<u>(122,390)</u>	<u>(155,842)</u>	<u>(33,452)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	329,000	329,000	-
Total other financing sources (uses)	<u>-</u>	<u>329,000</u>	<u>329,000</u>	<u>-</u>
Net change in fund balances	125,826	206,610	173,158	(33,452)
Fund balances - beginning	-	(5,362)	(5,862)	(500)
Fund balance - ending	<u>\$ 125,826</u>	<u>\$ 201,248</u>	<u>\$ 167,296</u>	<u>\$ (33,952)</u>

See the accompanying Independent Auditors' Report.