

JAMES IRWIN CHARTER HIGH SCHOOL

FINANCIAL STATEMENTS

June 30, 2015

JAMES IRWIN CHARTER HIGH SCHOOL

June 30, 2015

Board of Directors

Steve Hester - President

Lari Jones - Vice-President

Bob LaPalme - Secretary

David Scalfri

Daniel Meade

Duane France

Stephanie Fisher

School Management

Jonathan Berg, Chief Executive Officer

Eileen Johnston, Chief Financial Officer

TABLE OF CONTENTS

PAGE

Independent Auditors' Report	
Management's Discussion and Analysis	i - v
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Statement of Fiduciary Assets and Liabilities - Agency Fund	8
Notes to Financial Statements	9 - 16
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	17
Notes to Required Supplementary Information	18
Supplementary Information	
Statement of Changes in Assets and Liabilities - Agency Fund	19



Board of Directors
James Irwin Charter High School
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the James Irwin Charter High School, component unit of El Paso County School District No. 2, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the James Irwin Charter High School, 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 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 auditors' 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the James Irwin Charter High School as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, 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 the required supplementary information 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 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.

Other Matters (Supplementary Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the James Irwin Charter High School’s basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



September 14, 2015

JAMES IRWIN CHARTER HIGH SCHOOL
Management's Discussion and Analysis

Unaudited

For the Year Ended June 30, 2015

This section of James Irwin Charter High School's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2015. Please read this discussion in conjunction with additional information provided in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2015 is the fifteenth year of operations for the James Irwin Charter High School.

On June 30, 2015 the School's and James Irwin Educational Foundation's (JIEF) combined liabilities exceeded assets by \$778,871.

Governmental activities net position increased by \$277,648 during the fiscal year ended June 30, 2015.

Business-type activities net position decreased by \$64,005 during the fiscal year ended June 30, 2015

The Foundation had \$18,822,715 in debt outstanding. This debt was issued during the fiscal year ended June 30, 2008.

Overview of Financial Statements

The School's and Foundation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the School's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities and remaining assessment of financial value. With historical data, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. Changes to net position are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, some revenues and expenses are reported in the statement that will only result in cash flows in future periods.

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 and Foundation use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the School and Foundation can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows and outflows of spendable resources.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the leasing activities of the Foundation.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, Required Supplementary Information presents a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF THE SCHOOL AND FOUNDATION AS A WHOLE

The two summary statements below report the fiscal year 2015 and the prior year, fiscal year 2014. The net position on June 30, 2015 was \$(778,871).

Condensed Statement of Net Position		
	2015	2014
Current assets:		
Cash and investments	\$ 1,101,639	\$ 799,915
Restricted cash and investments	2,366,049	2,362,637
Receivables	500	2,414
Prepaid expenses	3,669	116
Land	2,224,206	2,224,206
Net capital assets	12,879,366	13,305,521
Total assets	18,575,429	18,694,809

Current liabilities:		
Accounts payable	35,603	49,321
Accounts payable - related parties	77,554	40,539
Accrued interest payable	379,456	306,398
Unearned revenue	38,972	36,554
Current portion of long-term debt	445,000	425,000
Long-term liabilities:		
Long-term bonds payable	<u>18,377,715</u>	<u>18,829,511</u>
Total liabilities	<u>19,354,300</u>	<u>19,687,323</u>
Net position:		
Net investment in capital assets	(3,719,143)	(3,724,784)
Restricted for TABOR	101,000	94,000
Restricted for other purposes	1,986,593	2,056,239
Unrestricted	<u>852,679</u>	<u>582,031</u>
Total net position	\$ <u>(778,871)</u>	\$ <u>(992,514)</u>

Condensed Statement of Activities		
	2015	2014
Revenues:		
Program revenues:		
Charges for service	\$ 135,567	\$ 183,202
Operating grants, and contributions	14,412	9,830
Capital Grants and Contributions	-	375,713
General revenues:		
Per pupil revenue	2,937,916	2,756,815
Capital Construction	69,833	38,815
Other general revenue	47,252	167,235
Leases	<u>915,216</u>	<u>952,276</u>
Total revenue	<u>4,120,196</u>	<u>4,483,886</u>
Expense:		
Instruction	1,312,266	1,525,561
Support Services	1,157,251	1,252,513
Foundation	1,437,036	1,321,452
Total expenses	<u>3,906,553</u>	<u>4,099,526</u>
Change in net position	213,643	384,360
Net position, beginning of year	(992,514)	(1,376,874)
Net position, end of year	\$ <u>(778,871)</u>	\$ <u>(992,514)</u>

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, combined liabilities exceeded assets by \$778,871 as of June 30, 2015.

Net investment in capital assets, was \$(3,719,143) as of June 30, 2015.

\$2,087,593 of the net position represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$852,679, may be used to meet ongoing obligations.

Analysis of Operations

Revenues: Total revenues for the period of July 1, 2014 through June 30, 2015 were \$4,120,196. The majority of income was received in the form of per pupil revenue allocated to the James Irwin Charter High School from the State of Colorado through their charter authorizer Harrison School District 2. The School had 412.5 full time students and received \$2,937,916 (\$7,125 per pupil). The rate of per pupil funding increased \$384.65 from 2013/2014 to 2014/2015. The School received \$69,833 in Capital Construction funding from the State of Colorado that supported the building lease expense.

Expenses: Total expenses for the period of July 1, 2014 through June 30, 2015 were \$3,906,553 which is a decrease of 5% from the year ended June 30, 2014. This decrease is primarily because we received a BEST grant in 13-14 and did not receive a similar grant in 14-15. The School reports expenses by program, but purchases all services, including salaries and employee benefits, from a charter management company.

Net Position - For the period of July 1, 2014 through June 30, 2015 James Irwin Charter High School reported a net increase of \$277,648 in governmental activities.

Analysis of Budget-General Fund

The School’s 2014-2015 annual budget was approved by the Board of Directors in March 2014 and included expenditures of \$3,150,601. The Board approved a revised budget in October, 2014 that included expenditures of \$3,222,027. The budget revisions were based on October enrollment.

Actual School revenue came in \$21,465 under the revenue budget. The shortfall in revenue was due to a decrease in student fees and activities.

Capital Assets and Long Term Debt

JIEF owns the property where three of the James Irwin Charter Schools are located. The three schools lease the property from JIEF for an amount equal the annual principal and interest of JIEF’s debt. Each school pays one third of the annual amount of debt service and building repair and replacement requirements.

Capital Assets	2015	2014
Land	\$ 2,224,206	\$ 2,224,206
Net Capital Assets	<u>12,879,366</u>	<u>13,305,521</u>
Total Capital Assets	\$ <u>15,103,572</u>	\$ <u>15,529,727</u>

Long Term Debt	2015	2014
2007 Building Loan	\$ 18,680,000	\$ 19,105,000
Premium	<u>142,715</u>	<u>149,511</u>
Total Long Term Debt	<u>\$ 18,822,715</u>	<u>\$ 19,254,511</u>

For further information on the JIEF's capital assets and long-term debt, see Notes 4 and 6 in the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2014-15 school year was 412.5 and projected enrollment for the 2015-16 school year is 447. The 2015-16 budget was based on per pupil funding of \$7,539, but the revised budget will include per pupil revenue of \$7,380 (a 3.6% increase in the rate of per pupil funding over 2014-15).

The Board and School administration acknowledge that the amount of funding for School operations is contingent upon the state of the economy and current and future legislation. Therefore, the School practices conservative budgeting and closely monitors the budget to actual in order to proactively adjust planned spending when necessary.

Requests for information

This financial report is provided as a general overview of the James Irwin Charter High School's finances for persons interested in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Eileen Johnston, CFO
James Irwin Charter Schools
5525 Astrozon Blvd.
Colorado Springs, CO 80916

BASIC FINANCIAL STATEMENTS

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF NET POSITION

June 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
ASSETS			
Cash and Investments	\$ 1,100,967	\$ 672	\$ 1,101,639
Restricted Cash and Investments	-	2,366,049	2,366,049
Grants Receivable	500	-	500
Prepaid Expenses	3,669	-	3,669
Capital Assets, Not Being Depreciated	-	2,224,206	2,224,206
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>12,879,366</u>	<u>12,879,366</u>
TOTAL ASSETS	<u>1,105,136</u>	<u>17,470,293</u>	<u>18,575,429</u>
LIABILITIES			
Accounts Payable	35,603	-	35,603
Accounts Payable - Related Parties	77,554	-	77,554
Unearned Revenues	38,972	-	38,972
Accrued Interest Payable	-	379,456	379,456
Noncurrent Liabilities			
Due Within One Year	-	445,000	445,000
Due in More Than One Year	<u>-</u>	<u>18,377,715</u>	<u>18,377,715</u>
TOTAL LIABILITIES	<u>152,129</u>	<u>19,202,171</u>	<u>19,354,300</u>
NET POSITION			
Net Investment in Capital Assets	-	(3,719,143)	(3,719,143)
Restricted for Debt Service	-	1,781,863	1,781,863
Restricted for Repair and Replacement	-	204,730	204,730
Restricted for Emergencies	101,000	-	101,000
Unrestricted	<u>852,007</u>	<u>672</u>	<u>852,679</u>
TOTAL NET POSITION	<u>\$ 953,007</u>	<u>\$ (1,731,878)</u>	<u>\$ (778,871)</u>

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 1,312,266	\$ 128,293	\$ 7,792
Supporting Services	<u>1,157,251</u>	<u>7,274</u>	<u>6,620</u>
Total Governmental Activities	<u>2,469,517</u>	<u>135,567</u>	<u>14,412</u>
Business-Type Activities			
Foundation	<u>1,437,036</u>	<u>915,216</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,906,553</u>	<u>\$ 1,050,783</u>	<u>\$ 14,412</u>

GENERAL REVENUES

Per Pupil Revenue

Capital Construction

Grants and Contributions not Restricted to Specific Programs

Investment Income

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSES) REVENUES AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (1,176,181)	\$ -	\$ (1,176,181)
<u>(1,143,357)</u>	<u>-</u>	<u>(1,143,357)</u>
(2,319,538)	-	(2,319,538)
-	(521,820)	(521,820)
<u>(2,319,538)</u>	<u>(521,820)</u>	<u>(2,841,358)</u>
2,937,916	-	2,937,916
69,833	-	69,833
23,362	-	23,362
2,951	207	3,158
20,732	-	20,732
<u>(457,608)</u>	<u>457,608</u>	<u>-</u>
<u>2,597,186</u>	<u>457,815</u>	<u>3,055,001</u>
277,648	(64,005)	213,643
<u>675,359</u>	<u>(1,667,873)</u>	<u>(992,514)</u>
<u>\$ 953,007</u>	<u>\$ (1,731,878)</u>	<u>\$ (778,871)</u>

JAMES IRWIN CHARTER HIGH SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2015

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 1,100,967
Grants Receivable	500
Prepaid Expenditures	<u>3,669</u>
TOTAL ASSETS	<u>\$ 1,105,136</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 35,603
Accounts Payable - Related Parties	77,554
Unearned Revenues	<u>38,972</u>
TOTAL LIABILITIES	<u>152,129</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	3,669
Restricted for Emergencies	101,000
Committed to Building Improvements	355,374
Unrestricted, Unassigned	<u>492,964</u>
TOTAL FUND BALANCE	<u>953,007</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,105,136</u>

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2015

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 3,108,756
State Sources	77,125
Federal Sources	<u>18,892</u>
TOTAL REVENUES	<u>3,204,773</u>
EXPENDITURES	
Current	
Instruction	1,312,266
Supporting Services	<u>1,614,859</u>
TOTAL EXPENDITURES	<u>2,927,125</u>
NET CHANGE IN FUND BALANCE	277,648
FUND BALANCE, Beginning	<u>675,359</u>
FUND BALANCE, Ending	<u>\$ 953,007</u>

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>FOUNDATION</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 672
Restricted Cash and Investments	2,366,049
TOTAL CURRENT ASSETS	2,366,721
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	2,224,206
Capital Assets, Net of Accumulated Depreciation	12,879,366
TOTAL NONCURRENT ASSETS	15,103,572
TOTAL ASSETS	17,470,293
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	379,456
Loan Payable, Current Portion	445,000
TOTAL CURRENT LIABILITIES	824,456
NONCURRENT LIABILITIES	
Loan Payable	18,377,715
TOTAL LIABILITIES	19,202,171
NET POSITION	
Net Investment in Capital Assets	(3,719,143)
Restricted for Debt Service	1,781,863
Restricted for Repair and Replacement	204,730
Unrestricted	672
TOTAL NET POSITION	\$ (1,731,878)

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>FOUNDATION</u>
OPERATING REVENUES	
Lease Income	\$ <u>1,372,824</u>
TOTAL OPERATING REVENUES	<u>1,372,824</u>
OPERATING EXPENSES	
Depreciation	426,155
Debt Service	
Interest and Fiscal Charges	<u>1,010,881</u>
TOTAL OPERATING EXPENSES	<u>1,437,036</u>
NET OPERATING INCOME (LOSS)	(64,212)
NONOPERATING REVENUES	
Investment Income	<u>207</u>
CHANGE IN NET POSITION	(64,005)
NET POSITION, Beginning	<u>(1,667,873)</u>
NET POSITION, Ending	\$ <u><u>(1,731,878)</u></u>

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents

	<u>FOUNDATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 1,372,824
Payments to Vendors	(10,000)
Loan Principal Paid	(425,000)
Loan Interest and Fiscal Charges Paid	<u>(944,619)</u>
Net Cash Provided (Used) by Operating Activities	<u>(6,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>207</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,588)
CASH AND CASH EQUIVALENTS, Beginning	<u>2,373,309</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,366,721</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (64,212)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	426,155
Amortization of Debt Premium	(6,796)
Changes in Assets and Liabilities	
Accounts Payable - Related Parties	(10,000)
Accrued Interest Payable	73,058
Loan Payable	<u>(425,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,795)</u>

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

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2015

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>35,920</u>
 TOTAL ASSETS	 \$ <u><u>35,920</u></u>
LIABILITIES	
Accounts Payable - Related Parties	\$ 16,453
Due to Student Groups	<u>19,467</u>
 TOTAL LIABILITIES	 \$ <u><u>35,920</u></u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The James Irwin Charter High School (the “School”) was organized in 2000 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the El Paso County School District No. 2 (the “District”) in the State of Colorado. The School’s mission is to help guide students in the development of their character and academic potential through an academically rigorous, content rich educational program. The School is governed by a Board of Directors consisting of at least five members.

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. The more significant of the School’s accounting policies are as follows.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the James Irwin Educational Foundation (the “Foundation”) within its reporting entity. The Foundation is a non-profit entity that holds title to the real estate and educational facilities used by the School. The Foundation is blended into the School’s financial statements as an enterprise fund. The Foundation does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was granted by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund, proprietary fund, and fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The agency fund financial statements are reported using the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the School's policy to use restricted resources first, and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports the following major proprietary fund:

Foundation - This fund is used to account for the financial activities of the Foundation, primarily related to capital assets and the related debt service.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Additionally, the School reports the following fund type:

The *Agency Fund* is used to account for resources received to support the School's student activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Cash equivalents are defined as investments with an original maturity of ninety days or less. Investments are reported at fair value.

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 Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings and improvements, furniture and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings	40 years
Improvements	8 - 40 years
Furniture and Equipment	3 - 15 years

Unearned Revenues - Unearned revenues represent 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 the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2015, the Foundation had a negative net position of \$1,731,878. Management expects this negative balance to be eliminated as the Foundation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at June 30, 2015, follows:

Petty Cash	\$ 59
Deposits	922,732
Investments	<u>2,580,817</u>
Total	<u>\$ 3,503,608</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,101,639
Restricted Cash and Investments	2,366,049
Agency Fund Cash and Investments	<u>35,920</u>
Total	<u>\$ 3,503,608</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2015, the School had bank deposits of \$669,756 collateralized with securities held by the financial institutions' agents but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At June 30, 2015, the School and the Foundation had the following investments:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Fair Value</u>
Money Market Funds	AAAm	\$ 2,531,049	\$ -	\$ 2,531,049
U.S. Agency Securities	AA+	-	49,768	49,768
Total		<u>\$ 2,531,049</u>	<u>\$ 49,768</u>	<u>\$ 2,580,817</u>

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of this limit.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

JAMES IRWIN CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk - At June 30, 2015, the School's investments in U.S. Agency securities were held by the counterparty (broker), but not in the School's name.

Restricted Cash and Investments

At June 30, 2015, the Foundation held cash and investments of \$2,366,049 restricted for future debt service and building repair and replacement.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is summarized below.

	<u>Balances</u> 6/30/14	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/15
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 2,224,206	\$ -	\$ -	\$ 2,224,206
Capital Assets, Being Depreciated				
Buildings	15,315,138	-	-	15,315,138
Improvements	928,570	-	-	928,570
Furniture and Equipment	175,698	-	-	175,698
Total Capital Assets, Being Depreciated	<u>16,419,406</u>	<u>-</u>	<u>-</u>	<u>16,419,406</u>
Less Accumulated Depreciation				
Buildings	(2,880,872)	(381,452)	-	(3,262,324)
Improvements	(57,315)	(44,703)	-	(102,018)
Furniture and Equipment	(175,698)	-	-	(175,698)
Total Accumulated Depreciation	<u>(3,113,885)</u>	<u>(426,155)</u>	<u>-</u>	<u>(3,540,040)</u>
Capital Assets, Being Depreciated, Net	<u>13,305,521</u>	<u>(426,155)</u>	<u>-</u>	<u>12,879,366</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,529,727</u>	<u>\$ (426,155)</u>	<u>\$ -</u>	<u>\$ 15,103,572</u>

NOTE 5: RELATED PARTIES

Accounts Payable

At June 30, 2015, the School owed \$93,922, and \$85 to the James Irwin Charter Schools and the James Irwin Charter Middle School, respectively. The amounts represent routine operating activities.

JAMES IRWIN CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2015.

	Balances			Balances	
	<u>6/30/14</u>	<u>Additions</u>	<u>Payments</u>	<u>6/30/15</u>	<u>Due Within</u>
					<u>One Year</u>
Business-Type Activities					
2007 Building Loan	\$ 19,105,000	\$ -	\$ 425,000	\$ 18,680,000	\$ 445,000
Premium	<u>149,511</u>	<u>-</u>	<u>6,796</u>	<u>142,715</u>	<u>-</u>
Total	<u>\$ 19,254,511</u>	<u>\$ -</u>	<u>\$ 431,796</u>	<u>\$ 18,822,715</u>	<u>\$ 445,000</u>

In July, 2007, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$20,900,000 Charter School Revenue Refunding Bonds. Bond proceeds were used to refund the CECFA Charter School Revenue Bonds, Series 2004, originally loaned to the Foundation to finance the purchase of the School's educational facilities. The School, in addition to the James Irwin Charter Middle School and the James Irwin Charter Elementary School, are obligated under a lease agreement to make monthly payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 4% to 5%. Interest payments are due semi-annually on February 1 and August 1. Principal payments are due annually on August 1, through 2037.

The School, the James Irwin Charter Middle School and the James Irwin Charter Elementary School are jointly and severally liable for the lease obligation. The allocation of lease payments required under the lease agreement is determined amongst the Schools on an annual basis. For the year ended June 30, 2015, the School made lease payments of \$457,608.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 445,000	\$ 901,794	\$ 1,346,794
2017	465,000	883,303	1,348,303
2018	490,000	861,463	1,351,463
2019	515,000	836,337	1,351,337
2020	540,000	809,963	1,349,963
2021 - 2025	3,140,000	3,615,812	6,755,812
2026 - 2030	4,055,000	2,730,244	6,785,244
2031 - 2035	5,210,000	1,620,863	6,830,863
2036 - 2038	<u>3,820,000</u>	<u>293,250</u>	<u>4,113,250</u>
Total	<u>\$ 18,680,000</u>	<u>\$ 12,553,029</u>	<u>\$ 31,233,029</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: MANAGEMENT AGREEMENT

Effective July 1, 2012, the School entered into a management agreement with James Irwin Charter Schools (JICS), a non-profit entity, to provide all labor, materials, equipment, facilities and supervision necessary for the provision of educational services to students, and the management, operation and maintenance of the School. The agreement shall continue until termination, or until expiration of the School's charter contract. All costs incurred and paid by JICS on behalf of the School will be reimbursed by the School. In addition, the agreement requires the School to pay JICS an annual management fee of 5% of the state and local school funds that the School receives. For the year ended June 30, 2015, the School paid management fees of \$150,726.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2015, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2015, the reserve, of \$101,000, was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER HIGH SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,884,369	\$ 2,933,700	\$ 2,937,916	\$ 4,216
Student Fees and Activities	179,842	167,342	128,293	(39,049)
Transportation Fees	-	-	7,274	7,274
Contributions and Donations	30,000	30,000	11,590	(18,410)
Investment Income	1,000	1,000	2,951	1,951
Miscellaneous	4,000	4,000	20,732	16,732
State Sources				
Capital Construction	39,637	70,125	69,833	(292)
Grants	-	-	7,292	7,292
Federal Sources				
Impact Aid	4,938	10,000	11,772	1,772
Grants	5,000	10,071	7,120	(2,951)
TOTAL REVENUES	<u>3,148,786</u>	<u>3,226,238</u>	<u>3,204,773</u>	<u>(21,465)</u>
EXPENDITURES				
Current				
Instruction	1,467,903	1,515,045	1,312,266	202,779
Supporting Services	1,682,698	1,706,982	1,614,859	92,123
TOTAL EXPENDITURES	<u>3,150,601</u>	<u>3,222,027</u>	<u>2,927,125</u>	<u>294,902</u>
NET CHANGE IN FUND BALANCE	(1,815)	4,211	277,648	273,437
FUND BALANCE, Beginning	<u>592,440</u>	<u>694,589</u>	<u>675,359</u>	<u>(19,230)</u>
FUND BALANCE, Ending	<u>\$ 590,625</u>	<u>\$ 698,800</u>	<u>\$ 953,007</u>	<u>\$ 254,207</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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.

All appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER HIGH SCHOOL

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2015

	<u>BALANCE</u> 6/30/14	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/15
Student Activity Fund				
ASSETS				
Cash and Investments	\$ <u>19,230</u>	\$ <u>22,603</u>	\$ <u>5,913</u>	\$ <u>35,920</u>
TOTAL ASSETS	\$ <u><u>19,230</u></u>	\$ <u><u>22,603</u></u>	\$ <u><u>5,913</u></u>	\$ <u><u>35,920</u></u>
LIABILITIES				
Accounts Payable - Related Parties	\$ -	\$ 16,453	\$ -	\$ 16,453
Due to Student Groups	<u>19,230</u>	<u>6,150</u>	<u>5,913</u>	<u>19,467</u>
TOTAL LIABILITIES	\$ <u><u>19,230</u></u>	\$ <u><u>22,603</u></u>	\$ <u><u>5,913</u></u>	\$ <u><u>35,920</u></u>

See the accompanying Independent Auditors' Report.