

**JAMES IRWIN CHARTER MIDDLE SCHOOL**

**FINANCIAL STATEMENTS**

**June 30, 2015**

**JAMES IRWIN CHARTER MIDDLE 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

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the James Irwin Charter Middle 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 Middle 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 major fund, and the aggregate remaining fund information of the James Irwin Charter Middle School as of June 30, 2015, and the respective changes in financial position 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 Middle 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 MIDDLE SCHOOL

## Management's Discussion and Analysis

### Unaudited

For the Year Ended June 30, 2015

The management of James Irwin Charter Middle School (JICMS) offers this Management Discussion and Analysis (MD&A) of the School's financial performance to provide an overall review of financial activities for the fiscal year ended June 30, 2015. Please read this discussion in conjunction with additional information provided in the accompanying financial statements.

### **FINANCIAL HIGHLIGHTS**

June 30, 2015 marked the end of the twelfth year of operation for James Irwin Middle School.

On June 30, 2015 the School's net position was \$1,322,049.

The School reported an increase of \$150,661 in net position for the year ended June 30, 2015.

School operations are primarily funded by per pupil revenue from the State of Colorado as provided for in the Colorado State School Finance Act. Total per pupil revenue received for the year ended June 30, 2015 was \$3,112,410. This represents an increase of \$106,201 from the fiscal year ended June 30, 2014.

### **Overview of Financial Statements**

The School's basic 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**

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 equity. 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 (for example, salaries and benefits earned but unpaid as of fiscal year end).

### **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 as designated by Colorado state statute. James

Irwin Charter Middle School monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

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, outflows and balances of spendable resources.

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 programs.

### 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, the Required Supplementary Information presents a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

### Government-Wide Financial Analysis of the James Irwin Charter Middle School

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 \$1,322,049.

<b>Condensed Statement of Net Position</b>		
	2015	2014
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,424,292	\$ 1,171,450
Receivables	4,840	8,448
Prepaid expenses	30,776	36,251
<b>Total assets</b>	<b>1,459,908</b>	<b>1,216,149</b>
<b>Current liabilities:</b>		
Accounts payable	38,695	43,289
Due to JICS / HS	98,767	1,472
Unearned revenue	397	-
<b>Total liabilities</b>	<b>137,859</b>	<b>44,761</b>
<b>Net position:</b>		
Restricted for TABOR	101,000	95,000
Unrestricted	<u>1,221,049</u>	<u>1,076,388</u>
<b>Total net position</b>	<b><u>\$ 1,322,049</u></b>	<b><u>\$ 1,171,388</u></b>

<b>Condensed Statement of Activities</b>		
	2015	2014
<b>Revenues:</b>		
Program revenues:		
Charges services	\$ 95,991	\$ 94,118
Operating grants, and contributions	31,496	13,255
General revenues:		
Per pupil revenue	3,112,410	3,006,209
Capital Construction	73,981	42,327
Other general revenue	<u>18,016</u>	<u>12,034</u>
<b>Total revenues</b>	<b>3,331,894</b>	<b>3,167,993</b>
<b>Expenses:</b>		
Instruction	1,562,632	1,575,849
Supporting Services	1,618,601	1,588,704
<b>Total expenses</b>	<b><u>3,181,233</u></b>	<b><u>3,164,553</u></b>
Change in Net Position	150,661	3,440
Net Position, beginning of year	<u>1,171,388</u>	<u>1,167,948</u>
Net Position, end of year	<u><b>\$ 1,322,049</b></u>	<u><b>\$ 1,171,388</b></u>

### **Analysis of Operations - General Fund**

Revenues: Total revenue for the period of July 1, 2014 through June 30, 2015 was \$3,331,894. The majority of income was received in the form of per pupil revenue allocated to the James Irwin Charter Middle School from the State of Colorado through their charter authorizer Harrison School District 2. The School had 437 full time students and received \$3,112,410 (\$7,124 per pupil). The rate of per pupil funding increased \$452 from 2013/2014 to 2014/2015. The School received \$73,981 in Capital Construction funding from the State of Colorado that supported the building lease expense.

Expenditures: Total expenditures for the period of July 1, 2014 through June 30, 2015 were \$3,181,233 down \$11,720 (or .3%) from the year ended June 30, 2014. The School reports expenses by program, but purchases all services, including salaries and employee benefits, from a charter management company.

Change in Net Position - For the period of July 1, 2014 through June 30, 2015 James Irwin Charter Middle School reported an increase of \$150,661 in net position.

### **Analysis of Budget-General Fund**

The School's 2014-2015 budget was approved by the Board of Directors in March 2014 and included expenditures of \$3,300,644. The Board approved a revised expense budget in October, 2014 that included expenses of \$3,389,190. The budget was based on enrollment and per pupil revenue projections. Total expenses for the year ending June 30, 2014 were \$3,181,233; \$207,957 or 6%, less than the approved revised budget. Significant areas that came in under budget were James Irwin Charter School purchased services, Technology Support Services, and utilities.



Actual revenue of \$3,331,894 exceeded the latest revised budgeted revenues by \$44,463. The primary areas that resulted in the increased revenues were per pupil revenue, the award of \$17,607 from the State for English language learners and increased student activity fees.

### **Capital Assets and Long Term Debt**

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

### **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 437 and projected enrollment for the 2015-16 school year is 472. The original 2015-16 budget was based on per pupil funding of \$7,539, but the revised 15-16 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.

In the second quarter of next year, JIEF is refinancing the long term debt on the Astrozon property. This will reduce the debt service and consequently reduce the lease payments charged to the schools. This will have a significant, favorable, impact on the School's 15-16 budget.

### **Requests for information**

This financial report is provided as a general overview of the James Irwin Charter Middle 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 MIDDLE SCHOOL

STATEMENT OF NET POSITION

June 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,424,292
Accounts Receivable - Related Parties	85
Grants Receivable	4,755
Prepaid Expenses	<u>30,776</u>
<b>TOTAL ASSETS</b>	<u>1,459,908</u>
<b>LIABILITIES</b>	
Accounts Payable	38,695
Accounts Payable - Related Parties	98,767
Unearned Revenues	<u>397</u>
<b>TOTAL LIABILITIES</b>	<u>137,859</u>
<b>NET POSITION</b>	
Restricted for Emergencies	101,000
Unrestricted	<u>1,221,049</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,322,049</u>

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

JAMES IRWIN CHARTER MIDDLE SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 1,562,632	\$ 95,991	\$ 20,324	\$ (1,446,317)
Supporting Services	<u>1,618,601</u>	<u>-</u>	<u>11,172</u>	<u>(1,607,429)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>3,181,233</u></b>	<b>\$ <u>95,991</u></b>	<b>\$ <u>31,496</u></b>	<b><u>(3,053,746)</u></b>
<b>GENERAL REVENUES</b>				
Per Pupil Revenue				3,112,410
Capital Construction				73,981
Grants and Contributions not Restricted to Specific Programs				11,644
Investment Income				3,497
Miscellaneous				<u>2,875</u>
<b>TOTAL GENERAL REVENUES</b>				<b><u>3,204,407</u></b>
<b>CHANGE IN NET POSITION</b>				<b>150,661</b>
<b>NET POSITION, Beginning</b>				<b><u>1,171,388</u></b>
<b>NET POSITION, Ending</b>				<b>\$ <u>1,322,049</u></b>

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

JAMES IRWIN CHARTER MIDDLE SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2015

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,424,292
Accounts Receivable - Related Parties	85
Grants Receivable	4,755
Prepaid Expenditures	30,776
<b>TOTAL ASSETS</b>	<b>\$ 1,459,908</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 38,695
Accounts Payable - Related Parties	98,767
Unearned Revenues	397
<b>TOTAL LIABILITIES</b>	<b>137,859</b>
<b>FUND BALANCE</b>	
Nonspendable Prepaid Expenditures	30,776
Restricted for Emergencies	101,000
Committed to Building Improvements	725,727
Unrestricted, Unassigned	464,546
<b>TOTAL FUND BALANCE</b>	<b>1,322,049</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,459,908</b>

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

JAMES IRWIN CHARTER MIDDLE SCHOOL

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 3,215,823
State Sources	91,588
Federal Sources	<u>24,483</u>
TOTAL REVENUES	<u>3,331,894</u>
EXPENDITURES	
Instruction	1,562,632
Supporting Services	<u>1,618,601</u>
TOTAL EXPENDITURES	<u>3,181,233</u>
NET CHANGE IN FUND BALANCE	150,661
FUND BALANCE, Beginning	<u>1,171,388</u>
FUND BALANCE, Ending	<u>\$ 1,322,049</u>

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

JAMES IRWIN CHARTER MIDDLE SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2015

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>37,544</u>
TOTAL ASSETS	\$ <u><u>37,544</u></u>
LIABILITIES	
Accounts Payable - Related Parties	\$ 15,544
Due to Student Groups	<u>22,000</u>
TOTAL LIABILITIES	\$ <u><u>37,544</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The James Irwin Charter Middle School (the “School”) was organized in 2004 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. Based on the application of this criteria, the School does not include additional organizations within its reporting entity.

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. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported in a single column.

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*.

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



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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*. 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.

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.

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* - 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.

*Unearned Revenues* - Unearned revenues represent resources received by the School before it has a legal claim to them, including student fees.

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: CASH AND INVESTMENTS**

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

Deposits	\$ 1,247,068
Investments	<u>214,768</u>
Total	<b><u>\$ 1,461,836</u></b>

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

Cash and Investments	\$ 1,424,292
Agency Fund Cash and Investments	<u>37,544</u>
Total	<b><u>\$ 1,461,836</u></b>

**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 \$992,740 collateralized with securities held by the financial institutions' agents but not in the School's name.

JAMES IRWIN CHARTER MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**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 had the following investments:

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Fair Value</u>
U.S. Agency Securities	AA+	\$ -	\$ 49,768	\$ 49,768
Money Market Fund	AAAm	<u>165,000</u>	-	<u>165,000</u>
Total		<u>\$ 165,000</u>	<u>\$ 49,768</u>	<u>\$ 214,768</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 a single issuer, except for corporate securities. At June 30, 2015, the School's investment in the Federal Farm Credit Bank represented 23% of the School's total investments.

*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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 3: RELATED PARTIES**

**Accounts Receivable and Accounts Payable**

At June 30, 2015, the James Irwin Charter High School owed \$85 to the School. In addition, the School owed \$114,311 to the James Irwin Charter Schools. All balances represent routine operating activities.

**NOTE 4: 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 \$159,599.

**NOTE 5: 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 management 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.

JAMES IRWIN CHARTER MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 5: COMMITMENTS AND CONTINGENCIES (Continued)**

**Building Lease**

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 James Irwin Educational Foundation (the "Foundation") to finance the purchase of the School's educational facilities. The School, in addition to the James Irwin Charter High 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 High 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><b>\$ 18,680,000</b></u>	<u><b>\$ 12,553,029</b></u>	<u><b>\$ 31,233,029</b></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

JAMES IRWIN CHARTER MIDDLE SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 2,953,045	\$ 3,107,944	\$ 3,112,410	\$ 4,466
Student Fees and Activities	74,266	76,070	95,991	19,921
Contributions	-	1,000	1,050	50
Investment Income	1,300	1,300	3,497	2,197
Miscellaneous	6,000	5,000	2,875	(2,125)
<b>State Sources</b>				
Capital Construction	40,850	74,290	73,981	(309)
Grants	-	-	17,607	17,607
<b>Federal Sources</b>				
Grants	21,250	21,827	24,483	2,656
<b>TOTAL REVENUES</b>	<u>3,096,711</u>	<u>3,287,431</u>	<u>3,331,894</u>	<u>44,463</u>
<b>EXPENDITURES</b>				
Instruction	1,671,782	1,712,516	1,562,632	149,884
Supporting Services	1,628,862	1,676,674	1,618,601	58,073
<b>TOTAL EXPENDITURES</b>	<u>3,300,644</u>	<u>3,389,190</u>	<u>3,181,233</u>	<u>207,957</u>
<b>NET CHANGE IN FUND BALANCE</b>	(203,933)	(101,759)	150,661	252,420
<b>FUND BALANCE, Beginning</b>	<u>1,015,993</u>	<u>1,193,240</u>	<u>1,171,388</u>	<u>(21,852)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 812,060</u>	<u>\$ 1,091,481</u>	<u>\$ 1,322,049</u>	<u>\$ 230,568</u>

See the accompanying Independent Auditors' Report.

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the School 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 MIDDLE 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
<b>Student Activity Fund</b>				
<b>ASSETS</b>				
Cash	\$ <u>21,852</u>	\$ <u>37,180</u>	\$ <u>21,488</u>	\$ <u>37,544</u>
TOTAL ASSETS	\$ <u><u>21,852</u></u>	\$ <u><u>37,180</u></u>	\$ <u><u>21,488</u></u>	\$ <u><u>37,544</u></u>
<b>LIABILITIES</b>				
Accounts Payable - Related Parties	-	15,544	-	15,544
Due to Student Groups	\$ <u>21,852</u>	\$ <u>21,636</u>	\$ <u>21,488</u>	\$ <u>22,000</u>
TOTAL LIABILITIES	\$ <u><u>21,852</u></u>	\$ <u><u>37,180</u></u>	\$ <u><u>21,488</u></u>	\$ <u><u>37,544</u></u>

See the accompanying Independent Auditors' Report.