

JAMES IRWIN CHARTER ACADEMY

FINANCIAL STATEMENTS

June 30, 2015

JAMES IRWIN CHARTER ACADEMY

June 30, 2015

Board of Directors

Bob LaPalme - President

Ida Dilwood - Secretary

Kayla Frank

Jeff Kemp

Natashia McKillip

School Management

Jonathan Berg, Chief Executive Officer

Eileen Johnston, Chief Financial Officer

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Board of Directors
James Irwin Charter Academy
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the James Irwin Charter Academy 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 Academy, 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, and each major fund of the James Irwin Charter Academy 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.

Ernst & Young LLP

September 14, 2015

JAMES IRWIN CHARTER ACADEMY

Management's Discussion and Analysis

Unaudited

For the Year Ended June 30, 2015

The management of James Irwin Charter Academy (the “School”) 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 the accompanying financial statements and the notes to financial statements.

Financial Highlights

June 30, 2015 marked the end of the second year of operation for the School. On June 30, 2015 the School’s net position was \$251,169.

Governmental activities net position increased by \$208,495 during the fiscal year ended June 30, 2015.

Business-type activities net position decreased by \$3,027 during the fiscal 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 \$1,853,163. The School was awarded a federal grant for start-up expenses of \$215,000. This was the third and final year for receiving this federal grant.

Overview of Financial Statements

The School’s and the JICA Building Corporation’s (the “Building Corporation”) 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.

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 the Building Corporation use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the School and Building Corporation can be divided into two categories: governmental funds and proprietary 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, outflows and balances 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 Building Corporation.

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.

Financial Analysis of the School and Building Corporation as a Whole

The summary statements below report the fiscal year ended 2015 compared with the prior fiscal year. The net position on June 30, 2015 was \$194,899.

Condensed Statement of Net Position		
	2015	2014
Assets:		
Cash and cash equivalents	\$ 232,059	\$ 299,043
Receivables	102,285	131,427
Prepaid Expenses	227	
Total Capital Assets, net	1,880,861	1,917,698
Total assets	2,215,432	2,348,168
Liabilities:		
Accounts payable	749	72
Accounts payable, related parties	82,631	387,724
Unearned Revenue	22	
Building Loan	1,937,131	1,970,941
Total liabilities	2,020,533	2,358,737

Net Position:		
Net Investment in Capital Assets	(56,270)	(53,243)
Restricted for TABOR	71,000	42,000
Unrestricted	180,169	674
Total net position	<u>\$ 194,899</u>	<u>\$ (10,569)</u>

Condensed Statement of Activities		
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 71,087	\$ 60,152
Operating grants, and contributions	80,501	35,263
Capital grants and contributions	-	10,500
General revenues:		
Per Pupil Revenue	1,853,163	1,124,409
Capital Construction	46,251	17,196
At Risk Supplemental Aid	20,470	22,351
Grants and contributions not restricted		
for specific programs	203,385	389,242
Other general revenue	<u>409</u>	<u>12,321</u>
Total revenues	<u>2,275,266</u>	<u>1,671,434</u>
Expenses:		
Instruction	1,008,870	867,837
Supporting Services	892,082	594,096
Building Corporation	168,846	156,786
Total expenses	<u>2,069,798</u>	<u>1,618,719</u>
Change in net position	205,468	52,715
Net position, beginning of year	<u>(10,569)</u>	<u>(63,284)</u>
Net position, end of year	<u>\$ 194,899</u>	<u>\$ (10,569)</u>

Analysis of Operations - General Fund

Revenues: Total revenues for the period of July 1, 2014 through June 30, 2015 were \$2,275,266. The majority of income was received in the form of per pupil revenue allocated to the School from the State of Colorado through their charter authorizer Charter School Institute (CSI). The School had 273.20 full time students and received \$1,853,163 in per pupil revenue (\$6,783 per pupil). In addition to this per pupil revenue, the School received State Supplemental Funding for At-Risk pupils of \$20,470. The School received \$46,251 in Capital Construction funding from the State of Colorado that supported the building lease expense; and \$35,801 for extended day kindergarten. This year the School received \$194,174 for the final year of the Federal Start Up grant.

Expenditures: Total expenditures for the period of July 1, 2014 through June 30, 2015 were \$2,066,771. The School reports expenditures by program, but purchases all services, including employee salaries and benefits, from a charter management company.

Net Change - For the period of July 1, 2014 through June 30, 2015 James Irwin Charter Academy recorded a net increase in fund balance of \$208,495 in the General Fund.

Analysis of Budget-General Fund

The initial School budget included expenditures of \$1,783,286. This budget was based on projected salary and employment benefits expense, and enrollment numbers. The budget was revised with the October student enrollment numbers increasing appropriated expenses to \$2,188,908. Total expenses of \$2,066,771 were \$122,137 or 5.6% less than the approved budget. The areas that came in under budget were purchased services through the James Irwin Charter Schools management company.

Actual revenues of \$2,275,266 exceeded the budget by \$33,644.

Capital Assets and Long Term Debt

The Building Corporation owns the property where the School is located. The School leases the property for an amount equal to the annual principal and interest of the related debt.

Capital Assets	2015	2014
Land	\$ 478,000	\$ 478,000
Buildings and Improvements	<u>1,402,861</u>	<u>1,439,698</u>
Total Capital Assets, Net	\$ <u>1,880,861</u>	\$ 1,917,698
Long Term Debt	2015	2014
Loan Payable	\$ <u>1,937,131</u>	\$ <u>1,970,941</u>
Total Long Term Debt	\$ <u>1,937,131</u>	\$ <u>1,970,941</u>

For further information on 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 273.20 and projected enrollment for the 2015-16 school year is 306.16. The approved 2015-16 annual budget is based per pupil funding of \$7,035 (a 3.69% increase).

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 the James Irwin Educational Foundation (JIEF) will assume JIBC's debt and JIBC will cease operations.

Requests for information

This financial report is provided as a general overview of the James Irwin Charter Academy 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 ACADEMY

STATEMENT OF NET POSITION

June 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	\$ 232,059	\$ -	\$ 232,059
Accounts Receivable	22,085	-	22,085
Grants Receivable	80,200	-	80,200
Prepaid Expenses	227	-	227
Capital Assets, Not Being Depreciated	-	478,000	478,000
Capital Assets, Net of Accumulated Depreciation	-	1,402,861	1,402,861
	<u>334,571</u>	<u>1,880,861</u>	<u>2,215,432</u>
TOTAL ASSETS			
LIABILITIES			
Accounts Payable	749	-	749
Accounts Payable - Related Parties	82,631	-	82,631
Unearned Revenues	22	-	22
Noncurrent Liabilities			
Due Within One Year	-	36,167	36,167
Due in More Than One Year	-	1,900,964	1,900,964
	<u>83,402</u>	<u>1,937,131</u>	<u>2,020,533</u>
TOTAL LIABILITIES			
NET POSITION			
Net Investment in Capital Assets	-	(56,270)	(56,270)
Restricted for Emergencies	71,000	-	71,000
Unrestricted	180,169	-	180,169
	<u>180,169</u>	<u>-</u>	<u>180,169</u>
TOTAL NET POSITION			
	\$ <u>251,169</u>	\$ <u>(56,270)</u>	\$ <u>194,899</u>

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

JAMES IRWIN CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 1,008,870	\$ 48,847	\$ 33,100
Supporting Services	892,082	22,240	47,401
Total Governmental Activities	1,900,952	71,087	80,501
Business-Type Activities			
Building Corporation	168,846	-	-
TOTAL PRIMARY GOVERNMENT	\$ 2,069,798	\$ 71,087	\$ 80,501

GENERAL REVENUES

Per Pupil Revenue

At-Risk Supplemental Aid

Capital Construction

Grants and Contributions not Restricted to Specific Programs

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
\$ (926,923)	\$ -	\$ (926,923)
<u>(822,441)</u>	<u>-</u>	<u>(822,441)</u>
<u>(1,749,364)</u>	<u>-</u>	<u>(1,749,364)</u>
<u>-</u>	<u>(168,846)</u>	<u>(168,846)</u>
<u>(1,749,364)</u>	<u>(168,846)</u>	<u>(1,918,210)</u>
1,853,163	-	1,853,163
20,470	-	20,470
46,251	-	46,251
203,385	-	203,385
409	-	409
<u>(165,819)</u>	<u>165,819</u>	<u>-</u>
<u>1,957,859</u>	<u>165,819</u>	<u>2,123,678</u>
208,495	(3,027)	205,468
<u>42,674</u>	<u>(53,243)</u>	<u>(10,569)</u>
<u>\$ 251,169</u>	<u>\$ (56,270)</u>	<u>\$ 194,899</u>

JAMES IRWIN CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 232,059
Accounts Receivable	22,085
Grants Receivable	80,200
Prepaid Expenditures	227
TOTAL ASSETS	\$ 334,571
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 749
Accounts Payable - Related Parties	82,631
Unearned Revenues	22
TOTAL LIABILITIES	83,402
FUND BALANCE	
Nonspendable Prepaid Expenditures	227
Restricted for Emergencies	71,000
Unrestricted, Unassigned	179,942
TOTAL FUND BALANCE	251,169
TOTAL LIABILITIES AND FUND BALANCE	\$ 334,571

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

JAMES IRWIN CHARTER ACADEMY

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 1,933,870
State Sources	94,789
Federal Sources	<u>246,607</u>
TOTAL REVENUES	<u>2,275,266</u>
EXPENDITURES	
Instruction	1,008,870
Supporting Services	<u>1,057,901</u>
TOTAL EXPENDITURES	<u>2,066,771</u>
NET CHANGE IN FUND BALANCE	208,495
FUND BALANCE, Beginning	<u>42,674</u>
FUND BALANCE, Ending	<u>\$ 251,169</u>

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

JAMES IRWIN CHARTER ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>BUILDING CORPORATION</u>
ASSETS	
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	\$ 478,000
Capital Assets, Net of Accumulated Depreciation	<u>1,402,861</u>
TOTAL ASSETS	<u>1,880,861</u>
LIABILITIES	
CURRENT LIABILITIES	
Loan Payable, Current Portion	36,167
NONCURRENT LIABILITIES	
Loan Payable	<u>1,900,964</u>
TOTAL LIABILITIES	<u>1,937,131</u>
NET POSITION	
Net Investment in Capital Assets	<u>(56,270)</u>
TOTAL NET POSITION	<u>\$ (56,270)</u>

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

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

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Income	\$ <u>165,819</u>
TOTAL OPERATING REVENUES	<u>165,819</u>
OPERATING EXPENSES	
Depreciation	36,837
Debt Service	
Interest	<u>132,009</u>
TOTAL OPERATING EXPENSES	<u>168,846</u>
NET OPERATING INCOME (LOSS)	(3,027)
NET POSITION, Beginning	<u>(53,243)</u>
NET POSITION, Ending	<u><u>\$ (56,270)</u></u>

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

JAMES IRWIN CHARTER ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 165,819
Loan Principal Paid	(33,810)
Loan Interest Paid	<u>(132,009)</u>
Net Cash Provided by Operating Activities	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ -</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (3,027)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation Expense	36,837
Changes in Assets and Liabilities	
Loan Payable	<u>(33,810)</u>
Net Cash Provided by Operating Activities	<u><u>\$ -</u></u>

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

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The James Irwin Charter Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school in Colorado Springs, Colorado. On February 19, 2013, the Academy entered into a contract with the Colorado Charter School Institute (the “Institute”) for an initial term of five years, through June 30, 2018. The Academy began operations in August, 2013. The Academy is governed by a Board of Directors consisting of at least three members.

The accounting policies of the Academy 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 Academy’s accounting policies are as follows.

Reporting Entity

The financial reporting entity consists of the Academy, organizations for which the Academy is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Academy. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. Legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy 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 Academy.

The Academy includes the JICA Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation is a non-profit entity that holds title to property and otherwise facilitates the operations of the James Irwin Charter Schools. The Building Corporation is blended into the Academy’s financial statements as an enterprise fund, and does not issue separate financial statements.

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 activities of the Academy. 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.

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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 Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

The Academy reports the following major governmental fund:

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

The Academy reports the following major proprietary fund:

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

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.

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Capital Assets - Capital assets, which include buildings and improvements, 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. Interest incurred during construction is included in the capitalized value of capital assets in the business-type activities and the proprietary fund.

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	40 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.

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 Academy 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 Academy uses restricted fund balance first, followed by committed, assigned and unassigned balances.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy 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 Academy carries commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2015, the Building Corporation had a negative net position of \$56,270. Management expects this negative balance to be eliminated as the Building Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

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.

Investments

The Academy 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

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 most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

At June 30, 2015, the Academy had no investments.

NOTE 4: CAPITAL ASSETS

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

	<u>Balances</u> 6/30/13	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/14
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 478,000	\$ -	\$ -	\$ 478,000
Total Capital Assets, Not Being Depreciated	<u>478,000</u>	<u>-</u>	<u>-</u>	<u>478,000</u>
Capital Assets, Being Depreciated				
Buildings	479,514	-	-	479,514
Improvements	<u>993,951</u>	<u>-</u>	<u>-</u>	<u>993,951</u>
Total Capital Assets, Being Depreciated	<u>1,473,465</u>	<u>-</u>	<u>-</u>	<u>1,473,465</u>
Less Accumulated Depreciation				
Buildings	(10,989)	(11,988)	-	(22,977)
Improvements	<u>(22,778)</u>	<u>(24,849)</u>	<u>-</u>	<u>(47,627)</u>
Total Accumulated Depreciation	<u>(33,767)</u>	<u>(36,837)</u>	<u>-</u>	<u>(70,604)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,439,698</u>	<u>(36,837)</u>	<u>-</u>	<u>1,402,861</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,917,698</u>	<u>\$ (36,837)</u>	<u>\$ -</u>	<u>\$ 1,880,861</u>

NOTE 5: RELATED PARTIES

Accounts Payable

At June 30, 2015, the Academy owed \$82,631 to the James Irwin Charter Schools (See Note 7). This amount resulted from routine operating activities.

JAMES IRWIN CHARTER ACADEMY
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 6/30/14	Additions	Payments	Balances 6/30/15	Due Within One Year
Business-Type Activities					
2013 Building Loan	<u>\$ 1,970,941</u>	<u>\$ -</u>	<u>\$ 33,810</u>	<u>\$ 1,937,131</u>	<u>\$ 36,167</u>

On May 6, 2013, the Building Corporation entered into a loan agreement with the Charter School Development Corporation to borrow up to \$2,000,000 for the purchase and construction of school facilities. The loan accrues interest at 6.75% per annum. Payments of \$13,818, including principal and interest, are due monthly beginning in August, 2013, through June, 2018, with a balloon payment of \$1,820,891 due at maturity on July 31, 2018.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 36,167	\$ 129,649	\$ 165,816
2017	38,683	127,133	165,816
2018	41,390	124,426	165,816
2019	1,820,891	10,242	1,831,133
Total	<u>\$ 1,937,131</u>	<u>\$ 391,450</u>	<u>\$ 2,328,581</u>

The Academy has approved a lease agreement with the Building Corporation to use the school facilities owned by the Building Corporation. Under the lease agreement, the School is required to make monthly lease payments of \$13,818 through July, 2038.

NOTE 7: MANAGEMENT AGREEMENT

The Academy 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 Academy. The agreement shall continue until termination, or until expiration of the Academy's charter contract. All costs incurred and paid by JICS on behalf of the Academy will be reimbursed by the Academy. In addition, the agreement requires the Academy to pay JICS an annual management fee of 5% of the state and local school funds that the Academy receives. For the year ended June 30, 2015, the School paid management fees of \$94,971.

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy 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 Academy 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 Academy.

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 Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2015, the reserve, of \$71,000, was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER ACADEMY

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>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,548,436	\$ 1,851,203	\$ 1,853,163	\$ 1,960
Student Fees and Activities	7,219	17,335	13,046	(4,289)
Kindergarten Tuition	45,000	30,000	35,801	5,801
Transportation Fees	-	15,000	9,139	(5,861)
Food Service Fees	-	10,000	13,101	3,101
Contributions	1,911	1,400	9,211	7,811
Miscellaneous	-	-	409	409
State Sources				
At-Risk Supplemental Aid	-	15,000	20,470	5,470
Capital Construction	23,275	46,444	46,251	(193)
Grants	14,947	19,723	28,068	8,345
Federal Sources				
Grants	<u>235,517</u>	<u>235,517</u>	<u>246,607</u>	<u>11,090</u>
TOTAL REVENUES	<u>1,876,305</u>	<u>2,241,622</u>	<u>2,275,266</u>	<u>33,644</u>
EXPENDITURES				
Instruction	992,146	1,018,950	1,008,870	10,080
Supporting Services	<u>791,140</u>	<u>1,169,958</u>	<u>1,057,901</u>	<u>112,057</u>
TOTAL EXPENDITURES	<u>1,783,286</u>	<u>2,188,908</u>	<u>2,066,771</u>	<u>122,137</u>
NET CHANGE IN FUND BALANCE	93,019	52,714	208,495	155,781
FUND BALANCE, Beginning	<u>118,732</u>	<u>95,408</u>	<u>42,674</u>	<u>(52,734)</u>
FUND BALANCE, Ending	<u>\$ 211,751</u>	<u>\$ 148,122</u>	<u>\$ 251,169</u>	<u>\$ 103,047</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the Academy 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.