

**JAMES IRWIN CHARTER ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2016**

**JAMES IRWIN CHARTER ACADEMY**

June 30, 2016

**Board of Directors**

Bob LaPalme - President

Ida Dilwood - Secretary

Kayla Frank

Jeff Kemp

Natashia McKillip

**Academy 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 and the major fund of the James Irwin Charter Academy as of and for the year ended June 30, 2016, 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 and the major fund of the James Irwin Charter Academy as of June 30, 2016, 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.

*Ernst & Young LLP*

September 29, 2016

# JAMES IRWIN CHARTER ACADEMY

## Management's Discussion and Analysis

### Unaudited

For the Year Ended June 30, 2016

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, 2016. Please read this discussion in conjunction with the additional information provided in the accompanying financial statements.

### **Financial Highlights**

June 30, 2016 marked the end of the third year of operation for the School.

On June 30, 2016 the School’s net position was \$395,138.

The School reported an increase of \$143,969 in net position for the year ended June 30, 2016.

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, 2016 was \$2,072,811. This represents an increase of \$219,648 from the fiscal year ended June 30, 2015.

### **Overview of Financial Statements**

The School’s audit for the year ended June 30, 2015 included the JICA Building Corporation (the “Building Corporation”). The Building Corporation was dissolved at the beginning of 2015-2016 year, and its assets and liabilities were transferred to the James Irwin Educational Foundation (JIEF). For comparative purposes, the financial activity for the fiscal year ended June 30, 2015 that is included in this MD&A has been restated to exclude the Building Corporation activity.

The School’s June 30, 2016 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 net position. 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 as designated by Colorado State statute. James Irwin Charter Academy 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.

## 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

The two summary statements below report the fiscal year 2016 and the prior year, fiscal year 2015. As previously noted, 2015 has been restated to exclude the Building Corporation. The Schools net position on June 30, 2016 was \$395,138.

Condensed Statement of Net Position		
	2016	2015
Assets:		
Cash and cash equivalents	\$ 509,570	\$ 232,059
Receivables	37,456	102,285
Prepaid Expenses	2,259	227
Capital Assets, Net of Accumulated Amortization	3,923,174	
Total assets	4,472,459	334,571
Liabilities:		
Accounts payable		749
Accounts payable, related parties	109,827	82,631
Unearned Revenue	8,442	22
Accrued Interest Payable	9,193	
Current Debt Service	84,716	
Noncurrent Debt Service	3,865,143	
Total liabilities	4,077,321	83,402
Net Position:		
Net Investment in Capital Assets	(26,685)	
Restricted for TABOR	71,000	71,000
Unrestricted	350,823	180,169
Total net position	<u>\$ 395,138</u>	<u>\$ 251,169</u>

<b>Condensed Statement of Activities</b>		
	2016	2015
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 28,267	\$ 71,087
Operating grants, and contributions	122,736	80,501
General revenues:		
Per Pupil Revenue	2,072,811	1,853,163
Capital Construction	75,454	46,251
At Risk Supplemental Aid	18,895	20,470
Grants and Contributions not restricted		
For specific programs	3,157	203,385
Other general revenue	<u>5,669</u>	<u>409</u>
Total revenues	<u>2,326,989</u>	<u>2,275,266</u>
<b>Expenses:</b>		
Instruction	1,140,952	1,008,870
Supporting Services	948,211	1,057,901
Interest Expense	93,857	
Total expenses	<u>2,183,020</u>	<u>2,066,771</u>
Change in net position	143,969	208,495
Net position, beginning of year	<u>251,169</u>	<u>42,674</u>
Net position, end of year	\$ <u>395,138</u>	\$ <u>251,169</u>

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

Revenues: Total revenues for the period of July 1, 2015 through June 30, 2016 were \$2,326,989 reflecting a 2.3% increase from last year. The reduction in charges for services was a result of the change in policy to provide full day kindergarten at no cost to our families. Last year revenue for extended day kindergarten tuition was \$35,801. This year the School qualified for a Federal Title I grant of \$56,865. This grant is reflected in the increase from \$80,501 to \$122,736 in Program Revenues - Operating Grants. 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 received \$2,072,811 in per pupil revenue (\$7,103 per pupil). This reflects a 4.7% increase in the rate of per pupil funding (or \$320 per pupil). School enrollment increased 6.8% from 273.2 last year to 291.84 for the year ended June 30, 2016. In addition to this per pupil revenue, the School received State Supplemental Funding for At-Risk pupils of \$18,895. The School received \$75,454 in Capital Construction funding from the State of Colorado that supported the building lease expense. This year the rate for Capital Construction funding increased from \$169 per pupil to \$258 per pupil, (an increase of 53%). The General Revenue - Grants and Contributions not restricted for specific programs decrease of \$200,226 from last year to this year was because the year ended June 30, 2015 was the final year of the three year Colorado Department Start-up Grant award.



Expenditures: Total expenditures for the period of July 1, 2015 through June 30, 2016 were \$2,183,020; an increase of \$116,251 (5.6%) from the year ended June 30, 2015. This increase reflects higher spending in instructional expenses in the areas of salary and benefits. The School reports direct instructional salaries and employee benefits as functional expenses even though these expenses were actually purchased services from James Irwin Charter Schools, a charter management company.

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

The original School budget included expenditures of \$2,248,500 and was adopted in March of 2015. This budget was based on projected salary and employment benefits expense, and enrollment numbers. The year ended with revised board approved budgeted expenditures of \$2,336,050. The revised budget included additional spending of \$56,000 for a Title I grant award. Total expenses of \$2,147,142, net of the lease and capital outlay transaction, were \$188,908 or 8% less than the approved budget. Purchased services through the James Irwin Charter Schools management company accounted for \$126,206 (82%) of this difference.

Actual revenue of \$2,326,989 was \$21,248 lower than the approved budget. The primary cause of this shortfall was an overestimation of State Per Pupil Revenue (PPR). The budget for this state funding was \$2,100,361 or \$7,196.96 per pupil whereas actual PPR was \$2,072,811 (\$7,104 per pupil).

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

The property where the James Irwin Charter Academy is located was acquired by JIEF from the Building Corporation at the beginning of the year. The School entered into a ten-year capital lease with JIEF, which includes level annual lease payments for the 10 year term of the lease, with a balloon payment at the end of the term. In previous the Building Corporation was an operating lease. The new lease is a capital lease and so a capital asset (net of accumulated amortization) and a corresponding liability for the lease are reported in the government-wide finance statements.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2015-16 school year was 291.84 and projected enrollment for the 2016-17 school year is 305. The original 2016-2017 annual budget is based per pupil funding of \$7,220 (a 1.6% increase in the rate of per pupil funding over 2015-16 rate).

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 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, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 509,570
Accounts Receivable	31,730
Grants Receivable	5,726
Prepaid Expenses	2,259
Capital Assets, Net of Accumulated Amortization	<u>3,923,174</u>
<b>TOTAL ASSETS</b>	<u>4,472,459</u>
<b>LIABILITIES</b>	
Accounts Payable - Related Parties	109,827
Unearned Revenues	8,442
Accrued Interest Payable	9,193
Noncurrent Liabilities	
Due Within One Year	84,716
Due in More Than One Year	<u>3,865,143</u>
<b>TOTAL LIABILITIES</b>	<u>4,077,321</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(26,685)
Restricted for Emergencies	71,000
Unrestricted	<u>350,823</u>
<b>TOTAL NET POSITION</b>	<u>\$ 395,138</u>

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

JAMES IRWIN CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<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	\$ 1,140,952	\$ 14,051	\$ 122,736	\$ (1,004,165)
Supporting Services	948,211	14,216	-	(933,995)
Interest Expense	<u>93,857</u>	<u>-</u>	<u>-</u>	<u>(93,857)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>2,183,020</u></b>	<b>\$ <u>28,267</u></b>	<b>\$ <u>122,736</u></b>	<b><u>(2,032,017)</u></b>
<b>GENERAL REVENUES</b>				
Per Pupil Revenue				2,072,811
Additional At-Risk Funding				1,874
At-Risk Supplemental Aid				17,021
Capital Construction				75,454
Contributions not Restricted to Specific Programs				3,157
Miscellaneous				<u>5,669</u>
<b>TOTAL GENERAL REVENUES</b>				<b><u>2,175,986</u></b>
<b>CHANGE IN NET POSITION</b>				<b>143,969</b>
<b>NET POSITION, Beginning</b>				<u>251,169</u>
<b>NET POSITION, Ending</b>				<b>\$ <u>395,138</u></b>

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

JAMES IRWIN CHARTER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2016

	GENERAL
<b>ASSETS</b>	
Cash	\$ 509,570
Accounts Receivable	31,730
Grants Receivable	5,726
Prepaid Expenditures	2,259
<b>TOTAL ASSETS</b>	<b>\$ 549,285</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable - Related Parties	\$ 109,827
Unearned Revenues	8,442
<b>TOTAL LIABILITIES</b>	<b>118,269</b>
<b>FUND BALANCE</b>	
Nonspendable Prepaid Expenditures	2,259
Restricted for Emergencies	71,000
Unrestricted, Unassigned	357,757
<b>TOTAL FUND BALANCE</b>	<b>431,016</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 549,285</b>
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Total Fund Balance of the Governmental Fund	\$ 431,016
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,923,174
Long-term liabilities and related items, including lease payable (\$3,949,859), and accrued interest payable (\$9,193) are not due and payable in the current year and, therefore, are not reported in governmental funds.	(3,959,052)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 395,138</b>

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, 2016

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 2,109,904
State Sources	132,589
Federal Sources	<u>84,496</u>
TOTAL REVENUES	<u>2,326,989</u>
EXPENDITURES	
Current	
Instruction	1,140,952
Supporting Services	879,214
Capital Outlay	3,992,171
Debt Service	
Principal	42,312
Interest	<u>84,664</u>
TOTAL EXPENDITURES	<u>6,139,313</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,812,324)
OTHER FINANCING SOURCES	
Debt Issued	<u>3,992,171</u>
NET CHANGE IN FUND BALANCE	179,847
FUND BALANCE, Beginning	<u>251,169</u>
FUND BALANCE, Ending	<u>\$ 431,016</u>

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

JAMES IRWIN CHARTER ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$	179,847
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlay \$3,992,171 exceeded amortization expense (\$68,997) in the current year.		3,923,174
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		42,312
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(3,992,171)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable in the current year.		<u>(9,193)</u>
Change in Net Position of Governmental Activities	\$	<u>143,969</u>

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



JAMES IRWIN CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**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. Based on the application of this criteria, the Academy does not include additional organizations within its reporting entity.

**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. *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*.

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*. 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.

JAMES IRWIN CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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.

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.

**Assets, Liabilities and Net Position/Fund Balance**

*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 are reported in the government-wide 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 the acquisition value on the date of donation.

Capital assets acquired under a capital lease are amortized to the expected value over the term of the related lease. Amortization is recorded as an operating expense, and accumulated amortization is reported in the government-wide financial statements. Amortization has been provided over the following term of the related lease using the straight-line method.

Building	10 years
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*Unearned Revenues* - Unearned revenues represent resources received by the Academy before it has a legal claim to them, including student fees.

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

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

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs 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.

**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: 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. At June 30, 2016, the Academy had bank deposits of \$259,570 collateralized with securities held by the financial institution's agents but not in the Academy's name.

**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 generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

JAMES IRWIN CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

**Investments (Continued)**

- 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, 2016, the Academy had no investments.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, is summarized below.

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Governmental Activities</b>				
Capital Assets, Being Amortized				
Building	\$ -	\$ 3,992,171	\$ -	\$ 3,992,171
Accumulated Amortization	-	(68,997)	-	(68,997)
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 3,923,174</u>	<u>\$ -</u>	<u>\$ 3,923,174</u>

Amortization expense was charged to the supporting services program.

**NOTE 4: RELATED PARTIES**

**Accounts Payable**

At June 30, 2016, the Academy owed \$109,827 to the James Irwin Charter Schools (See Note 6). This amount resulted from routine operating activities.

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
<b>Governmental Activities</b>					
2015 Capital Lease	<u>\$ -</u>	<u>\$ 3,992,171</u>	<u>\$ 42,312</u>	<u>\$ 3,949,859</u>	<u>\$ 84,716</u>

JAMES IRWIN CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 5: LONG-TERM DEBT (Continued)**

On August 1, 2015, the Academy entered into a lease agreement with the James Irwin Educational Foundation for use of the Academy's building. Terms of the initial agreement required monthly principal and interest payments of \$14,108. In August 2016, the lease agreement was modified and requires monthly principal and interest payments of \$19,753 beginning September 15, 2016, through July 15, 2025, with a balloon payment of \$3,072,213, plus any unpaid interest, due on August 15, 2025. Interest accrues at 3.92% per annum. Assets of \$3,992,171 less accumulated amortization of \$68,997 have been capitalized under this lease agreement.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 84,716	\$ 141,035	\$ 225,751
2018	84,952	152,084	237,036
2019	88,391	148,645	237,036
2020	91,569	145,467	237,036
2021	95,675	141,361	237,036
2022 - 2026	<u>3,504,556</u>	<u>545,947</u>	<u>4,050,503</u>
Total	<u>\$ 3,949,859</u>	<u>\$ 1,274,539</u>	<u>\$ 5,224,398</u>

**NOTE 6: MANAGEMENT AGREEMENT**

Effective July 1, 2012, the Academy entered into a management agreement with James Irwin Charter Schools (JICS), a non-profit entity, to provide all labor, materials, equipment, and supervision necessary for the provision of educational services to students, and the management, operation and maintenance of the Academy. These costs are reported in functional categories in the financial statements for better reporting purposes. The agreement shall continue until termination, or until expiration of the Academy's charter contract.

**NOTE 7: 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, 2016, 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.

JAMES IRWIN CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7:**      **COMMITMENTS AND CONTINGENCIES** (Continued)

**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, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$71,000.

**NOTE 8:**      **CHANGE IN REPORTING ENTITY**

In past years, the JICA Building Corporation was reported as a component unit of the Academy. However, at June 30, 2016, the Building Corporation no longer qualified as a component unit and has been excluded from the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

JAMES IRWIN CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 2,166,940	\$ 2,100,361	\$ 2,072,811	\$ (27,550)
Student Fees and Activities	15,000	14,573	14,051	(522)
Transportation Fees	15,000	15,000	14,216	(784)
Contributions	3,700	3,700	3,157	(543)
Miscellaneous	-	1,191	5,669	4,478
<b>State Sources</b>				
Additional At-Risk Funding	-	-	1,874	1,874
At-Risk Supplemental Aid	15,000	15,000	17,021	2,021
Capital Construction	77,000	78,429	75,454	(2,975)
Grants	19,723	36,352	38,240	1,888
<b>Federal Sources</b>				
Grants	<u>65,517</u>	<u>83,631</u>	<u>84,496</u>	<u>865</u>
<b>TOTAL REVENUES</b>	<u>2,377,880</u>	<u>2,348,237</u>	<u>2,326,989</u>	<u>(21,248)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	1,139,063	1,170,122	1,140,952	29,170
Supporting Services	943,437	995,928	879,214	116,714
Capital Outlay	-	-	3,992,171	(3,992,171)
<b>Debt Service</b>				
Principal	166,000	170,000	42,312	127,688
Interest	<u>-</u>	<u>-</u>	<u>84,664</u>	<u>(84,664)</u>
<b>TOTAL EXPENDITURES</b>	<u>2,248,500</u>	<u>2,336,050</u>	<u>6,139,313</u>	<u>(3,803,263)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	129,380	12,187	(3,812,324)	(3,824,511)
<b>OTHER FINANCING SOURCES</b>				
Debt Issued	<u>-</u>	<u>-</u>	<u>3,992,171</u>	<u>3,992,171</u>
<b>NET CHANGE IN FUND BALANCE</b>	129,380	12,187	179,847	167,660
<b>FUND BALANCE, Beginning</b>	<u>140,302</u>	<u>251,169</u>	<u>251,169</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 269,682</u>	<u>\$ 263,356</u>	<u>\$ 431,016</u>	<u>\$ 167,660</u>

See the accompanying Independent Auditors' Report.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

**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.

**Legal Compliance**

For the year ended June 30, 2016, the General Fund expenditures exceeded the amounts budgeted by \$3,803,263 because debt issued during the year and the related capital outlay were not budgeted. This may be a violation of State statutes.