

JAMES IRWIN CHARTER ACADEMY

FINANCIAL STATEMENTS

June 30, 2017

JAMES IRWIN CHARTER ACADEMY

June 30, 2017

Board of Directors

Bob LaPalme - President

Lari Jones - Vice President

Ida Dilwood - Secretary

Steve Hester - Treasurer

Jeff Kemp

Robin VanderWil

Victoria Cameron

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, 2017, 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, 2017, 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

October 6, 2017

JAMES IRWIN CHARTER ACADEMY

Management's Discussion and Analysis

Unaudited

For the Year Ended June 30, 2017

The management of James Irwin Charter Academy (the “School”) offers this Management’s 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, 2017. Please read this discussion in conjunction with the additional information provided in the accompanying financial statements.

Financial Highlights

June 30, 2017 marked the end of the fourth year of operation for the School.

On June 30, 2017 the School’s net position was \$657,301

The School reported an increase of \$262,163 in net position for the year ended June 30, 2017.

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, 2017 was \$2,246,511. This represents an increase of \$173,700 from the fiscal year ended June 30, 2016.

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 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 2017 and the prior year, fiscal year 2016. The School's net position on June 30, 2017 was \$657,301.

Condensed Statement of Net Position		
	2017	2016
Assets:		
Cash	\$ 845,350	\$ 509,570
Receivables	37,315	37,456
Prepaid Expenses		2,259
Capital Assets, Net of Accumulated Amortization	3,831,178	3,923,174
Total assets	4,713,843	4,472,459
Liabilities:		
Accounts payable, related parties	155,683	109,827
Accrued Liabilities	13,231	
Unearned Revenue	9,859	8,442
Accrued Interest Payable	12,626	9,193
Current Debt Service	84,952	84,716
Noncurrent Debt service	3,780,191	3,865,143
Total liabilities	4,056,542	4,077,321
Net Position:		
Net Investment in Capital Assets	(33,965)	(26,685)
Restricted for TABOR	73,000	71,000
Unrestricted	618,266	350,823
Total net position	<u>\$ 657,301</u>	<u>\$ 395,138</u>

Condensed Statement of Activities		
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 42,637	\$ 28,267
Operating grants, and contributions	116,643	122,736
General revenues:		
Per Pupil Revenue	2,246,511	2,072,811
Capital Construction	86,075	75,454
At Risk Supplemental Aid	17,109	18,895
Grants and Contributions not restricted		
For specific programs	3,220	3,157
Other general revenue	<u> </u>	<u>5,669</u>
Total revenues	<u>2,512,195</u>	<u>2,326,989</u>
Expenses:		
Instruction	1,199,344	1,140,952
Supporting Services	906,220	948,211
Interest expense	144,468	93,857
Total expenses	<u>2,250,032</u>	<u>2,183,020</u>
Change in net position	262,163	143,969
Net position, beginning of year	<u>395,138</u>	<u>251,169</u>
Net position, end of year	\$ <u><u>657,301</u></u>	\$ <u><u>395,138</u></u>

Analysis of Operations - General Fund

Revenues - Total revenues for the period of July 1, 2016 through June 30, 2017 were \$2,512,195. The majority of income was received in the form of per pupil revenue allocated to James Irwin Charter Academy from the State of Colorado through their charter authorizer Charter School Institute (CSI). The School had 309 full time students and received \$2,246,511 (\$7,248 per pupil). The rate of per pupil funding increased \$145 from 2015/2016 to 2017/2017. School enrollment increased 5.9% from 291.84 last year to 309 for the year ended June 30, 2017. The School received \$86,075 in Capital Construction funding from the State of Colorado which was an increase of \$10,621 from the previous year.

Expenditures: Total expenditures for the period of July 1, 2016 through June 30, 2017 were \$2,239,319, a decrease of \$(3,899,994) due to the lease agreement recorded last fiscal year. Annual expenses actually increased by \$92,177 if we exclude last year's lease agreement. The increases are in instructional expenses and interest expense. The School reports direct instructional salaries and employee benefits as functional expenses even though these expenses were actually purchased educational services from James Irwin Charter Schools, a charter management company.

Analysis of Budget-General Fund

The initial School budget included expenditures of \$2,399,666. 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 \$2,465,918. Total actual expenses of \$2,239,319 were \$226,599 or 9% less than the approved budget.

Actual revenue of \$2,512,195 was \$35,112 higher than the approved budget. The primary areas where actual revenue exceeded budget were per pupil funding and transportation fees.

Capital Assets and Long Term Debt

The James Irwin Educational Foundation (JIEF) owns the property where the School is located. The 2016-2017 school year was the second year of a ten-year capital lease with JIEF. The capital lease includes level annual lease payments for the 10 year term of the lease, with a balloon payment at the end of the term. Additional information on the capital assets and long-term debt is available in Notes 3 and 5 to 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 2016-17 school year was 309 and projected enrollment for the 2017-18 school year remains at 309. The original 2017-2018 budget included per pupil funding of \$7,393, but the current draft of an amended budget reflects per pupil funding of \$7,473 (a 3.1% increase in the rate of per pupil funding over 2016-17).

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.

Future Events

On July 1, 2017 the five separate James Irwin Charter Schools merged with the charter management entity, James Irwin Charter Schools, and became a single legal entity. This action was taken in order to take advantage of recent legislation that allows organizations with more than one charter school to streamline their operations and governance structures.

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, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 845,350
Accounts Receivable	26,327
Accounts Receivable - Related Parties	56
Grants Receivable	10,932
Capital Assets, Net of Accumulated Amortization	<u>3,831,178</u>
TOTAL ASSETS	<u>4,713,843</u>
LIABILITIES	
Accounts Payable - Related Parties	155,683
Accrued Liabilities	13,231
Unearned Revenues	9,859
Accrued Interest Payable	12,626
Noncurrent Liabilities	
Due Within One Year	84,952
Due in More Than One Year	<u>3,780,191</u>
TOTAL LIABILITIES	<u>4,056,542</u>
NET POSITION	
Net Investment in Capital Assets	(33,965)
Restricted for Emergencies	73,000
Unrestricted	<u>618,266</u>
TOTAL NET POSITION	<u>\$ 657,301</u>

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

JAMES IRWIN CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash	\$ 845,350
Accounts Receivable	26,327
Accounts Receivable - Related Parties	56
Grants Receivable	<u>10,932</u>
TOTAL ASSETS	<u>\$ 882,665</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable - Related Parties	\$ 155,683
Accrued Liabilities	13,231
Unearned Revenues	<u>9,859</u>
TOTAL LIABILITIES	<u>178,773</u>
FUND BALANCE	
Restricted for Emergencies	73,000
Unrestricted, Unassigned	<u>630,892</u>
TOTAL FUND BALANCE	<u>703,892</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 882,665</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 703,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,831,178
Long-term liabilities and related items, including lease payable (\$3,865,143) and accrued interest payable (\$12,626) are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(3,877,769)</u>
Total Net Position of Governmental Activities	<u>\$ 657,301</u>

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, 2017

	GENERAL
REVENUES	
Local Sources	\$ 2,292,368
State Sources	147,086
Federal Sources	72,741
TOTAL REVENUES	2,512,195
EXPENDITURES	
Current	
Instruction	1,199,344
Supporting Services	814,224
Debt Service	
Principal	84,716
Interest	141,035
TOTAL EXPENDITURES	2,239,319
NET CHANGE IN FUND BALANCE	272,876
FUND BALANCE, Beginning	431,016
FUND BALANCE, Ending	\$ 703,892

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

Net Change in Fund Balance of the Governmental Fund	\$ 272,876
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 amount represents amortization expense in the current year.	(91,996)
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.	84,716
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.	(3,433)
Change in Net Position of Governmental Activities	\$ 262,163

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

JAMES IRWIN CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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.

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

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

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.

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 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; 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, 2017, the Academy had bank deposits of \$595,350 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 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

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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, 2017, the Academy had no investments.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below.

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
Governmental Activities				
Capital Assets, Being Amortized				
Building	\$ 3,992,171	\$ -	\$ -	\$ 3,992,171
Accumulated Amortization	<u>(68,997)</u>	<u>(91,996)</u>	<u>-</u>	<u>(160,993)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,923,174</u>	<u>\$ (91,996)</u>	<u>\$ -</u>	<u>\$ 3,831,178</u>

Amortization expense was charged to the supporting services program.

NOTE 4: RELATED PARTIES

Accounts Receivable and Accounts Payable

At June 30, 2017, the James Irwin Charter High School owed \$56 to the Academy. In addition, the Academy owed \$155,683 to the James Irwin Charter Schools (See Note 6). All balances represent routine operating activities.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

	<u>Balance</u> 6/30/16	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/17	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
2015 Capital Lease	<u>\$ 3,949,859</u>	<u>\$ -</u>	<u>\$ 84,716</u>	<u>\$ 3,865,143</u>	<u>\$ 84,952</u>

JAMES IRWIN CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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 \$160,993 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>
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	99,548	137,488	237,036
2023 - 2026	<u>3,405,008</u>	<u>408,459</u>	<u>3,813,467</u>
Total	<u>\$ 3,865,143</u>	<u>\$ 1,133,504</u>	<u>\$ 4,998,647</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, 2017, 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, 2017

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, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$73,000.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,195,073	\$ 2,230,980	\$ 2,246,511	\$ 15,531
Student Fees and Activities	14,905	18,631	17,525	(1,106)
Transportation Fees	15,000	15,000	25,112	10,112
Contributions	3,700	5,601	3,220	(2,381)
State Sources				
Additional At-Risk Funding	-	-	2,131	2,131
At-Risk Supplemental Aid	15,000	15,000	14,978	(22)
Capital Construction	78,429	78,429	86,075	7,646
Grants	36,352	40,482	43,902	3,420
Federal Sources				
Grants	83,631	72,960	72,741	(219)
TOTAL REVENUES	<u>2,442,090</u>	<u>2,477,083</u>	<u>2,512,195</u>	<u>35,112</u>
EXPENDITURES				
Current				
Instruction	1,279,003	1,308,651	1,199,344	109,307
Supporting Services	938,663	927,267	814,224	113,043
Debt Service	182,000	230,000	225,751	4,249
TOTAL EXPENDITURES	<u>2,399,666</u>	<u>2,465,918</u>	<u>2,239,319</u>	<u>226,599</u>
NET CHANGE IN FUND BALANCE	42,424	11,165	272,876	261,711
FUND BALANCE, Beginning	<u>251,169</u>	<u>403,929</u>	<u>431,016</u>	<u>27,087</u>
FUND BALANCE, Ending	<u>\$ 293,593</u>	<u>\$ 415,094</u>	<u>\$ 703,892</u>	<u>\$ 288,798</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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.