

COMMUNITY LEADERSHIP ACADEMY

FINANCIAL STATEMENTS

June 30, 2010

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Board of Directors
Community Leadership Academy
Commerce City, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Community Leadership Academy, component unit of Adams County School District 14, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Community Leadership Academy, as listed in the table of contents. These financial statements are the responsibility of the Community Leadership Academy's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Community Leadership Academy as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Community Leadership Academy's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

October 11, 2010

COMMUNITY LEADERSHIP ACADEMY

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Community Leadership Academy, we offer readers of the Community Leadership Academy financial statements this narrative overview and analysis of the financial activities of the Community Leadership Academy for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

The assets from governmental activities of the Community Leadership Academy (also referred to as the “Academy”) exceeded its liabilities at the close of the most recent fiscal year by \$605,981 (net assets) compared to \$556,970 the prior year, an increase of \$49,011.

The Community Leadership Academy Building Corporation was formed for the specific purpose to hold title to real and/or personal property for the Academy, to make the same available for use by the school, and to otherwise provide a public building, facilities, and equipment to the school. The Corporation is blended into the Academy’s financial statements as an enterprise fund (proprietary fund type). The ending net assets increased to \$239,944 from \$232,344 the prior year, which is an increase of \$7,600.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Community Leadership Academy’s basic financial statements. The basic financial 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:

The government-wide financial statements are designed to provide readers with a broad overview of the Academy’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Academy’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Community Leadership Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Community Leadership Academy supported primarily by per pupil revenue (PPR) or property taxes and state equalization passed through from the District (Adams County School District 14). The governmental activities of the Academy include instruction and supporting services expense. The government-wide financial statements can be found on pages 1-2 of this report.

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 Community Leadership Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Community Leadership Academy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. When applicable, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. There were no reconciling items for 2009-10

The Community Leadership Academy maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and grants fund.

Community Leadership Academy adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary Fund: The Community Leadership Academy Building Corporation, considered a component unit of the charter school, has one fund, the Building Enterprise Fund and is represented on the statements of net assets, changes in net assets and statement of cash flows.

Notes to the 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. This information is provided on pages 8 through 14.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Community Leadership Academy, assets exceeded liabilities by \$845,925 as of the close of the most recent fiscal year compared to \$789,314 the prior year, an increase of \$56,611.

Statement of Net Assets Governmental and Business Type Activities

	30-Jun-10	30-Jun-09	Net Change
Current and other assets	\$ 2,348,794	\$ 2,247,973	\$ 100,821
Capital assets	<u>\$ 7,817,123</u>	<u>\$ 7,905,114</u>	<u>\$ (87,991)</u>
Total Assets	<u>\$ 10,165,917</u>	<u>\$ 10,153,087</u>	<u>\$ 12,830</u>
Current liabilities	\$ 723,145	\$ 648,289	\$ 74,856
Other liabilities	<u>\$ 8,596,847</u>	<u>\$ 8,715,484</u>	<u>\$ (118,637)</u>
Total Liabilities	<u>\$ 9,319,992</u>	<u>\$ 9,363,773</u>	<u>\$ (43,781)</u>
 Net assets			
Invested in capital assets, (Net of related debt)	\$ (619,122)	\$ (562,535)	\$ (56,587)
Restricted for Debt Repayment	\$ 802,817	\$ 738,733	\$ 64,084
Restricted for Repairs & Replacement	\$ 56,249	\$ 56,146	\$ 103
Restricted for Emergencies Tabor	\$ 104,500	\$ 97,000	\$ 7,500
Unrestricted	<u>\$ 501,481</u>	<u>\$ 459,970</u>	<u>\$ 41,511</u>
Total Net Assets	<u>\$ 845,925</u>	<u>\$ 789,314</u>	<u>\$ 56,611</u>

Cash and investments make up 20% of the Community Leadership Academy's total assets of which 55% is restricted in the Building Corporation for acquisition of capital assets and reserved to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 77% of total assets compared to 78% the previous year. The remaining assets make up 3% of total assets. Liabilities decreased \$43,781 primarily due to principal payments to reduce debt associated with the school building.

Community Leadership Academy
Statement of Activities
For the Years Ended June 30, 2010 and June 30, 2009

	<u>30-Jun-10</u>	<u>30-Jun-09</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 17,975	\$ 468	\$ 17,507
Operating Grants & Contributions	\$ 122,998	\$ 50,324	\$ 72,674
Total Program Revenue	<u>\$ 140,973</u>	<u>\$ 50,792</u>	<u>\$ 90,181</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 3,367,398	\$ 3,134,349	\$ 233,049
Capital Construction Grant	\$ 43,710	\$ 46,050	\$ (2,340)
Interest Income	\$ 3,181	\$ 17,030	\$ (13,849)
Miscellaneous	\$ 11,534	\$ 5,331	\$ 6,203
Total General Revenue	<u>\$ 3,425,823</u>	<u>\$ 3,202,760</u>	<u>\$ 223,063</u>
Total Revenue	<u>\$ 3,566,796</u>	<u>\$ 3,253,552</u>	<u>\$ 313,244</u>
Expenses:			
Current:			
Instruction	\$ 1,829,392	\$ 1,618,869	\$ 210,523
Supporting Services	\$ 1,015,101	\$ 1,093,557	\$ (78,456)
Building Corporation	\$ 665,692	\$ 343,523	\$ 322,169
Total Expenses	<u>\$ 3,510,185</u>	<u>\$ 3,055,949</u>	<u>\$ 454,236</u>
Increase (Decrease) in Net Assets	\$ 56,611	\$ 197,603	\$ (140,992)
Beginning Net Assets	<u>\$ 789,314</u>	<u>\$ 591,711</u>	<u>\$ 197,603</u>
Ending Net Assets	<u>\$ 845,925</u>	<u>\$ 789,314</u>	<u>\$ 56,611</u>

Revenue from grants increased \$72,674 due to eligibility to receive Title I funding in 2009-10. Per pupil operating revenue increased \$233,049 due to increased enrollment and the funding increase granted to school districts under Amendment #23. Capital Construction grant funds continue to decrease as limited funding is being allocated over an increasing number of students enrolled in charter schools. Overall expenditures increased \$454,236. Interest paid on debt related to the school facility doubled from the prior year, which reflected only a half year of interest expense. Support services decreased \$78,456 due to elimination of some positions and redirecting the savings to instruction. Instruction increased in part due to the addition of Title I instructional services in 2009-10.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Community Leadership Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of the Community Leadership Academy's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Community Leadership Academy's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Academy's net resources available for spending at the end of the fiscal year.

This is the fifth full year of operations for the Community Leadership Academy. General Fund revenue for FY 2009-10 was \$3,469,791 compared to \$3,141,733 the prior year. Per pupil revenue, which makes up 94.5% of the Academy's total revenue, increased 7.4% due to a combination of increased funded pupil count from 428.5 for 2008-09 to 443.5 for 2009-10 and the inflationary increase in per pupil funding provided by the state.

As of the end of the current fiscal year, the Academy reported \$605,981 as the combined ending fund balance in its governmental funds, an increase of \$49,011 over the prior year balance of \$556,970. Grants Funds maintain a \$0 fund balance; therefore, the entire fund balance is attributable to the General Fund.

Proprietary Fund: Net assets of the Building Corporation as of June 30, 2010 are \$239,944 compared to \$232,344 the prior year. The increase of \$7,600 is primarily due to decreased bank fees.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget is amended.

For fiscal year 2009-10, the state requirement for instructional supplies and materials spending in the general fund and the allocation of funds for insurance and/or capital reserve were eliminated; therefore, the Capital Reserve Fund has been eliminated and all expenditures for insurance and capital improvements are made from the General Fund.

The majority of Academy spending in the General Fund is for salaries and benefits (49.4%). Purchased services, excluding rental and lease fees paid to the Building Corporation, make up 21.4% of total expenditures. Rental and lease fees are 19.1% of total General Fund Expenditures. The primary source of spending under purchased services is transportation and special education services purchased from the District.

Other Budgetary Highlights: Expenditures in all funds were within the approved budgets for fiscal year 2009-10.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Community Leadership Academy Building Corporation owns land with a carrying value of \$820,000 and a building and improvements capitalized at \$6,867,919 at June 30, 2010. Equipment totaled \$274,276. The net carrying value of capital assets after subtracting accumulated depreciation is \$7,817,123.

Long-term debt: In February 2008, the Building Corporation issued \$8,810,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at a net interest cost of 6.5%. The proceeds were used, in part to create a debt service reserve of \$671,913 and pay debt issuance costs of \$300,644. The remaining proceeds were used to acquire capital assets described above. The Academy will make lease payments to the Building Corporation for use of the facility, which the corporation will use to make the required principal and interest payments on the bonds. These transactions will flow through the State intercept program where the State withholds a portion of the per pupil funding and transfers the funds to a designated trustee that in turn makes the principal and interest payments when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The lease payments to the Corporation for principal and interest due on the 2008 bond issue have stabilized and will have no increased impact for the 2010-11 fiscal year. The loss of eligibility for Title I presents a challenge for 2010-11 that will be addressed by elimination of services provided with Title I funds.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during the 2008-09 that continued through the 2009-10 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded 2.2% of the funding approved for public schools. Predictions indicate that a similar rescission may occur in 2010-11.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Community Leadership Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Ron Jajdelski, Executive Director, Community Leadership Academy, 6880 Holly Court, Commerce City, CO 80022.

BASIC FINANCIAL STATEMENTS

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF NET ASSETS

June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 927,191	\$ -	\$ 927,191
Restricted Cash and Investments	-	1,134,829	1,134,829
Accounts Receivable	202	-	202
Prepaid Expenses	5,970	-	5,970
Loan Issuance Costs, Net of Accumulated Amortization	-	280,602	280,602
Capital Assets, Not Being Depreciated	-	820,000	820,000
Capital Assets, Net of Accumulated Depreciation	-	6,997,123	6,997,123
	<u>933,363</u>	<u>9,232,554</u>	<u>10,165,917</u>
TOTAL ASSETS			
LIABILITIES			
Accounts Payable	208,280	-	208,280
Accrued Liabilities	12,219	-	12,219
Accrued Salaries and Benefits	106,883	-	106,883
Accrued Interest Payable	-	275,763	275,763
Noncurrent Liabilities			
Due Within One Year	-	120,000	120,000
Due in More Than One Year	-	8,596,847	8,596,847
	<u>327,382</u>	<u>8,992,610</u>	<u>9,319,992</u>
TOTAL LIABILITIES			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	(619,122)	(619,122)
Restricted for Debt Service	-	802,817	802,817
Restricted for Repair and Replacement	-	56,249	56,249
Restricted for Emergencies	104,500	-	104,500
Unrestricted	501,481	-	501,481
	<u>605,981</u>	<u>239,944</u>	<u>845,925</u>
TOTAL NET ASSETS			

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

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 1,829,392	\$ 17,975	\$ 122,998
Supporting Services	<u>1,015,101</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>2,844,493</u>	<u>17,975</u>	<u>122,998</u>
Business-Type Activities			
Building Corporation	<u>665,692</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,510,185</u>	<u>\$ 17,975</u>	<u>\$ 122,998</u>
		GENERAL REVENUES	
		Per Pupil Revenue	
		Capital Construction	
		Investment Income	
		Miscellaneous	
		TRANSFERS	
		TOTAL GENERAL REVENUES AND TRANSFERS	
		CHANGE IN NET ASSETS	
		NET ASSETS, Beginning	
		NET ASSETS, Ending	

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
\$ (1,688,419)	\$ -	\$ (1,688,419)
<u>(1,015,101)</u>	<u>-</u>	<u>(1,015,101)</u>
(2,703,520)	-	(2,703,520)
-	(665,692)	(665,692)
<u>(2,703,520)</u>	<u>(665,692)</u>	<u>(3,369,212)</u>
3,367,398	-	3,367,398
43,710	-	43,710
1,414	1,767	3,181
11,534	-	11,534
<u>(671,525)</u>	<u>671,525</u>	<u>-</u>
<u>2,752,531</u>	<u>673,292</u>	<u>3,425,823</u>
49,011	7,600	56,611
<u>556,970</u>	<u>232,344</u>	<u>789,314</u>
\$ <u><u>605,981</u></u>	\$ <u><u>239,944</u></u>	\$ <u><u>845,925</u></u>

COMMUNITY LEADERSHIP ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010

	<u>GENERAL</u>	<u>NONMAJOR GRANTS</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 927,191	\$ -	\$ 927,191
Accounts Receivable	202	-	202
Prepaid Expenditures	<u>5,970</u>	<u>-</u>	<u>5,970</u>
TOTAL ASSETS	<u>\$ 933,363</u>	<u>\$ -</u>	<u>\$ 933,363</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 208,280	\$ -	\$ 208,280
Accrued Liabilities	12,219	-	12,219
Accrued Salaries and Benefits	<u>106,883</u>	<u>-</u>	<u>106,883</u>
TOTAL LIABILITIES	<u>327,382</u>	<u>-</u>	<u>327,382</u>
FUND BALANCES			
Reserved for Prepaid Expenditures	5,970	-	5,970
Reserved for Emergencies	104,500	-	104,500
Unrestricted, Reported In General Fund	<u>495,511</u>	<u>-</u>	<u>495,511</u>
TOTAL FUND BALANCES	<u>605,981</u>	<u>-</u>	<u>605,981</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 933,363</u>	<u>\$ -</u>	<u>\$ 933,363</u>

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

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	<u>GENERAL</u>	<u>NONMAJOR GRANTS</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 3,398,321	\$ -	\$ 3,398,321
State Sources	71,470	-	71,470
Federal Sources	-	95,238	95,238
	<u>3,469,791</u>	<u>95,238</u>	<u>3,565,029</u>
TOTAL REVENUES			
EXPENDITURES			
Instruction	1,765,556	63,836	1,829,392
Supporting Services	1,655,224	31,402	1,686,626
	<u>3,420,780</u>	<u>95,238</u>	<u>3,516,018</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	49,011	-	49,011
FUND BALANCES, Beginning	<u>556,970</u>	<u>-</u>	<u>556,970</u>
FUND BALANCES, Ending	<u>\$ 605,981</u>	<u>\$ -</u>	<u>\$ 605,981</u>

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

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2010

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ <u>1,134,829</u>
TOTAL CURRENT ASSETS	<u>1,134,829</u>
NONCURRENT ASSETS	
Loan Issuance Costs, Net of Accumulated Amortization	280,602
Capital Assets, Not Being Depreciated	820,000
Capital Assets, Net of Accumulated Depreciation	<u>6,997,123</u>
TOTAL NONCURRENT ASSETS	<u>8,097,725</u>
TOTAL ASSETS	<u>9,232,554</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	275,763
Loan Payable, Current Portion	<u>120,000</u>
TOTAL CURRENT LIABILITIES	<u>395,763</u>
NONCURRENT LIABILITIES	
Loan Payable	<u>8,596,847</u>
TOTAL LIABILITIES	<u>8,992,610</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(619,122)
Restricted for Debt Service	802,817
Restricted for Repair and Replacement	<u>56,249</u>
TOTAL NET ASSETS	<u>\$ <u>239,944</u></u>

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

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
 Year Ended June 30, 2010

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ <u>671,525</u>
OPERATING EXPENSES	
Depreciation	99,549
Amortization	10,021
Other	1,984
Debt Service	
Interest	552,888
Fees	<u>1,250</u>
TOTAL OPERATING EXPENSES	<u>665,692</u>
NET OPERATING INCOME	5,833
NONOPERATING INCOME	
Investment Income	<u>1,767</u>
CHANGE IN NET ASSETS	7,600
NET ASSETS, Beginning	<u>232,344</u>
NET ASSETS, Ending	<u>\$ 239,944</u>

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

COMMUNITY LEADERSHIP ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2010

Increase (Decrease) in Cash and Cash Equivalents

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 671,525
Cash Payments to Vendors	(1,984)
Interest and Fees Paid	(554,356)
Loan Principal Paid	<u>(55,000)</u>
Net Cash Provided by Operating Activities	<u>60,185</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	<u>(27,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>1,767</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,127
CASH AND CASH EQUIVALENTS, Beginning	<u>1,100,702</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,134,829</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ 5,833
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	99,549
Amortization of Issuance Costs	10,021
Amortization of Discount	1,363
Changes in Assets and Liabilities Related to Operations	
Accrued Interest Payable	(1,581)
Loan Payable	<u>(55,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 60,185</u>

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

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Leadership Academy (the “School”) was organized in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Adams County School District 14 in the State of Colorado.

The accounting policies of the School conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the School’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

The School includes the Community Leadership Academy Building Corporation (the “Corporation”) within its reporting entity. The Corporation was specifically formed to hold title to real and/or personal property for, and to make the same available for use by, the School, and to otherwise provide a public building, facilities, and equipment to the School. The Corporation is blended into the School’s financial statements as an enterprise fund.

The School is a component unit of the Adams County School District 14 (the “District”). The School’s charter is granted by the District and the majority of the School’s funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by 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 intergovernmental revenues not properly included among program revenues are reported instead as *general revenues*.

Major individual funds are reported in separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* 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. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues and grants associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The School has elected not to follow subsequent private-sector guidance.

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

In the fund financial statements, the School reports the following major funds:

General Fund - This fund is the general operating fund of the School. It is used to account for all financial activities except those required to be accounted for in another fund.

Building Corporation - This fund is used to account for the financial activities of the Corporation which are primarily for capital purposes and debt service.

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets

Cash and Investments - Cash equivalents include investments with original maturities of 90 days or less. Investments are stated at fair value.

Accounts Receivable - 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 - Payments to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. A current asset for the prepaid amount is recorded at the time of payment, and an expense is reported in the year in which the products or services are consumed.

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

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

Buildings and Improvements	25 - 100 years
Equipment	5 - 20 years

Interest incurred during construction is included in the capitalized value of capital assets in the business-type activities and the proprietary fund.

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

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 in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenditures.

Net Assets/Fund Balances - In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Risk Management

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

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2010, consisted of the following.

Deposits	\$ 38,972
Investments	<u>2,023,048</u>
Total	<u>\$ 2,062,020</u>

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

Cash and Investments	\$ 927,191
Restricted Cash and Investments	<u>1,134,829</u>
Total	<u>\$ 2,062,020</u>

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

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

Local Government Investment Pool - At June 30, 2010, the School had \$888,219 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation had \$1,134,829 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE and Colotrust. CSAFE and Colotrust operate similarly to a money market fund with each share equal in value to \$1.00. CSAFE and Colotrust are rated AAAM by Standard and Poor's. Investments of CSAFE and Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Cash and investments of \$1,134,829 have been restricted by the Corporation for future debt service and building repair and replacement.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 820,000	\$ -	\$ -	\$ 820,000
Capital Assets, Being Depreciated				
Buildings and Improvements	6,864,763	3,156	-	6,867,919
Equipment	265,874	8,402	-	274,276
Total Capital Assets, Being Depreciated	<u>7,130,637</u>	<u>11,558</u>	<u>-</u>	<u>7,142,195</u>
Less Accumulated Depreciation				
Buildings and Improvements	(35,484)	(78,563)	-	(114,047)
Equipment	(10,039)	(20,986)	-	(31,025)
Total Accumulated Depreciation	<u>(45,523)</u>	<u>(99,549)</u>	<u>-</u>	<u>(145,072)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,085,114</u>	<u>(87,991)</u>	<u>-</u>	<u>6,997,123</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,905,114</u>	<u>\$ (87,991)</u>	<u>\$ -</u>	<u>\$ 7,817,123</u>

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2010:

	<u>Balance</u> 6/30/09	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/10	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Building Loan	\$ 8,810,000	\$ -	\$ 55,000	\$ 8,755,000	\$ 120,000
Discount	<u>(39,516)</u>	<u>-</u>	<u>(1,363)</u>	<u>(38,153)</u>	<u>-</u>
Total	<u>\$ 8,770,484</u>	<u>\$ -</u>	<u>\$ 53,637</u>	<u>\$ 8,716,847</u>	<u>\$ 120,000</u>

Building Loan

In February, 2008, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,810,000 Charter School Revenue Bonds, Series 2008. Proceeds of the bonds were loaned to the Corporation under a mortgage and loan agreement to construct the School's building and pay the existing loan in full. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 5.75% to 6.5%. Interest payments are due semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 2038.

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: LONG-TERM DEBT (Continued)

Building Loan (Continued)

Future debt service obligations are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 120,000	\$ 548,076	\$ 668,076
2012	125,000	541,032	666,032
2013	130,000	533,700	663,700
2014	140,000	525,937	665,937
2015	150,000	517,600	667,600
2016 - 2020	875,000	2,446,410	3,321,410
2021 - 2025	1,175,000	2,140,657	3,315,657
2026 - 2030	1,580,000	1,712,245	3,292,245
2031 - 2035	2,165,000	1,115,566	3,280,566
2036 - 2039	<u>2,295,000</u>	<u>310,214</u>	<u>2,605,214</u>
Total	<u>\$ 8,755,000</u>	<u>\$ 10,391,437</u>	<u>\$ 19,146,437</u>

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The contribution requirements of Plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8%. The School's contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% of covered salary, respectively. A portion of the School's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$183,544, \$167,502 and \$158,602, respectively, equal to the required contributions for each year.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

COMMUNITY LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's contributions to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$13,970, \$13,669 and \$13,933, respectively, equal to the required contributions for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. At June 30, 2010, significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2010, the School's emergency reserve, of \$104,500, was reported as a reservation of fund balance in the General Fund.

Operating Leases

During July 2008, the School entered into a month-to-month lease for modular buildings. For the year ended June 30, 2010, the School made lease payments of \$19,576. The lease was terminated on July 14, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY LEADERSHIP ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,246,600	\$ 3,395,400	\$ 3,367,398	\$ (28,002)
Pupil Activities	1,500	4,000	17,975	13,975
Investment Income	7,500	7,500	1,414	(6,086)
Miscellaneous	2,500	-	11,534	11,534
Total Local Sources	<u>3,258,100</u>	<u>3,406,900</u>	<u>3,398,321</u>	<u>(8,579)</u>
State Sources				
English Language Proficiency Act	24,100	18,100	27,760	9,660
Capital Construction	63,000	42,800	43,710	910
Total State Sources	<u>87,100</u>	<u>60,900</u>	<u>71,470</u>	<u>10,570</u>
TOTAL REVENUES	<u>3,345,200</u>	<u>3,467,800</u>	<u>3,469,791</u>	<u>1,991</u>
EXPENDITURES				
Instruction				
Salaries	1,050,800	1,083,400	1,059,271	24,129
Employee Benefits	315,100	324,500	315,216	9,284
Purchased Services	205,050	189,650	189,171	479
Supplies and Materials	127,800	183,800	201,898	(18,098)
Total Instruction	<u>1,698,750</u>	<u>1,781,350</u>	<u>1,765,556</u>	<u>15,794</u>
Supporting Services				
Salaries	359,500	248,700	237,547	11,153
Employee Benefits	178,150	84,900	70,092	14,808
Purchased Services	469,600	574,650	556,361	18,289
Supplies and Materials	19,700	107,700	114,685	(6,985)
Property and Equipment	619,500	682,500	676,539	5,961
Total Supporting Services	<u>1,646,450</u>	<u>1,698,450</u>	<u>1,655,224</u>	<u>43,226</u>
TOTAL EXPENDITURES	<u>3,345,200</u>	<u>3,479,800</u>	<u>3,420,780</u>	<u>59,020</u>
NET CHANGE IN FUND BALANCE	-	(12,000)	49,011	61,011
FUND BALANCE, Beginning	<u>385,380</u>	<u>556,970</u>	<u>556,970</u>	-
FUND BALANCE, Ending	<u>\$ 385,380</u>	<u>\$ 544,970</u>	<u>\$ 605,981</u>	<u>\$ 61,011</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are legally adopted all funds of the School on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- 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 budgets lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

COMMUNITY LEADERSHIP ACADEMY

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Federal Sources				
Grants	\$ 150,100	\$ 184,500	\$ 95,238	\$ (89,262)
TOTAL REVENUES	<u>150,100</u>	<u>184,500</u>	<u>95,238</u>	<u>(89,262)</u>
EXPENDITURES				
Instruction	120,100	142,375	63,836	78,539
Supporting Services	<u>30,000</u>	<u>42,125</u>	<u>31,402</u>	<u>10,723</u>
TOTAL EXPENDITURES	<u>150,100</u>	<u>184,500</u>	<u>95,238</u>	<u>89,262</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.