

**CHARTERCHOICE COLLABORATIVE (SFA)  
BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
CharterChoice Collaborative (SFA)  
Denver, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of CharterChoice Collaborative (SFA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Collaborative, 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.

#### Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity's 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of CharterChoice Collaborative (SFA) as of June 30, 2018 and the respective changes in financial position, thereof 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 budgetary comparison information on pages 12-13 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of CharterChoice Collaborative (SFA)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CharterChoice Collaborative (SFA)'s internal control over financial reporting and compliance.

*John Luttrell & Associates, LLC*

December 12, 2018

## **Charter Choice Food Service Collaborative Management's Discussion and Analysis**

As management of Charter Choice Food Service Collaborative (CCSFA or the SFA), we offer readers of Charter Choice Food Service Collaborative's financial statements our narrative overview and analysis of the financial activities of the SFA for the fiscal year ended June 30, 2018.

### **Financial Highlights**

The year ended June 30, 2018 is the fifth year of operations for CCSFA acting as a School Food Authority (SFA) under the National School Lunch Program. As of June 30, 2018, net position decreased by \$(18,673) to \$82,293.

The operations of CCSFA are funded primarily by federal operating grants. Such revenue for the year were \$2,593,436. At the close of the fiscal year, Charter Choice Food Service Collaborative's governmental fund(s) reported an ending fund balance of \$82,293, a decrease of \$(18,673) from prior year. This decrease is the result of less grant funding received during the year.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the SFA's basic financial statements. The SFA's 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 SFA's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the SFA's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the SFA is improving or deteriorating.

The statement of activities presents information showing how the SFA's net position changed during the most recent fiscal year. All changes in net position 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 SFA supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (NA). The governmental activities of the SFA include instruction and supporting services.

### ***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 SFA, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The SFA has two 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 SFA'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 SFA's near-term financing decisions. 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.

The SFA adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

### ***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 in pages 5-11.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the SFA's financial position. In the case of Charter Choice Food Service Collaborative, liabilities exceeded assets resulting in a net position of \$82,293 in FY 2017-2018. Of the SFA's total net position, \$5,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the SFA's general operating expenses.

### Charter Choice Food Service Collaborative's Net Position Governmental Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 114,626	\$ 97,944
Accounts Receivable	312,304	292,390
<b>Total Assets</b>	<b>426,930</b>	<b>390,334</b>
<b>LIABILITIES</b>		
Accounts Payable	344,637	289,368
<b>Total Liabilities</b>	<b>344,637</b>	<b>289,368</b>
<b>NET POSITION</b>		
Restricted for Emergencies	5,000	4,200
Unrestricted	77,293	96,766
<b>Total Net Position</b>	<b>\$ 82,293</b>	<b>\$ 100,966</b>

The largest portion of the SFA's assets is in accounts receivable, at 73% of total assets in 2018.

**Charter Choice Food Service Collaborative's Change in Net Position  
Governmental Activities**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Program Revenue:		
Charges for Services	\$ 481,937	\$ 432,099
Operating Grants and Contributions	2,593,436	2,282,711
Total Program Revenue	3,075,373	2,714,810
General Revenue:		
Other	129,153	309,673
Total General Revenue	129,153	309,673
<b>Total Revenue</b>	<b>3,204,526</b>	<b>3,024,483</b>
Expenses:		
Current:		
Supporting Services	3,223,199	2,976,425
Total Expenses	3,223,199	2,976,425
<b>Increase/(Decrease) in Net Position</b>	<b>(18,673)</b>	<b>48,058</b>
<b>Net Position, Beginning</b>	<b>100,966</b>	<b>52,908</b>
<b>Net Position, Ending</b>	<b>\$ 82,293</b>	<b>\$ 100,966</b>

The largest portion of the SFA's revenues came from operating grants and contributions – 81%, respectively in 2018.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the SFA's General Fund reported an ending fund balance of \$82,293, a decrease of \$(18,673) from prior year.

## **General Fund Budgetary Highlights**

The SFA approves a budget annually based on projections for the school year. Budget amendments may occur during the year based on the number of schools participating in the National School Lunch Program through CCSFA or based on grants received to expand programs. At year-end, the SFA had some variances between its final budgeted and actual activities. In the General Fund, the SFA recognized \$(747) less revenue than expected and spent \$(57,574) less than planned, when compared to the final budget. In the School Food Authority Fund, the SFA recognized \$(727) less revenue than expected and had no variance in expenditures, when compared to the final budget.

## **Capital Assets & Long-Term Debt**

The SFA has no capital assets or long-term obligations.

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

The primary factors driving the budget for Charter Choice Food Service Collaborative are the number of school participants, operating grants, and long-term plans for expansion.

## **Requests for Information**

This financial report is designed to provide a general overview of Charter Choice Food Service Collaborative's finances for all those with an interest in the SFA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the SFA:

Charter Choice Food Service Collaborative  
2696 S Colorado Blvd, Suite 581  
Denver, CO 80222

## **BASIC FINANCIAL STATEMENTS**

CHARTERCHOICE COLLOBARATIVE (SFA)

STATEMENT OF NET POSITION

As of June 30, 2018

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 114,626	\$ 97,944
Accounts Receivable	312,304	292,390
	<u>426,930</u>	<u>390,334</u>
TOTAL ASSETS		
LIABILITIES		
Accounts Payable	<u>344,637</u>	<u>289,368</u>
	<u>344,637</u>	<u>289,368</u>
TOTAL LIABILITIES		
NET POSITION		
Restricted for Emergencies	5,000	4,200
Unrestricted	<u>77,293</u>	<u>96,766</u>
	<u>\$ 82,293</u>	<u>\$ 100,966</u>
TOTAL NET POSITION		

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

CHARTERCHOICE COLLOBARATIVE (SFA)

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net Expense (Revenue) and Change in Net Position Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>2018</u>	<u>2017</u>
PRIMARY GOVERNMENT					
<b>Governmental Activities</b>					
Supporting Services	<u>\$ 3,223,199</u>	<u>\$ 481,937</u>	<u>\$ 2,593,436</u>	<u>\$ (147,826)</u>	<u>\$ (261,615)</u>
<b>Total Governmental Activities</b>	<u><u>\$ 3,223,199</u></u>	<u><u>\$ 481,937</u></u>	<u><u>\$ 2,593,436</u></u>	<u>(147,826)</u>	<u>(261,615)</u>
			<u>GENERAL REVENUE</u>		
			Other	<u>129,153</u>	<u>309,673</u>
			CHANGE IN NET POSITION	<u>(18,673)</u>	<u>48,058</u>
			NET POSITION, Beginning	<u>100,966</u>	<u>52,908</u>
			NET POSITION, Ending	<u><u>\$ 82,293</u></u>	<u><u>\$ 100,966</u></u>

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

CHARTERCHOICE COLLOBARATIVE (SFA)

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2018

	2018			2017 ACTUAL
	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 114,626	\$ -	\$ 114,626	\$ 97,944
Accounts Receivable	9,578	302,726	312,304	292,390
<b>TOTAL ASSETS</b>	<b>\$ 124,204</b>	<b>\$ 302,726</b>	<b>\$ 426,930</b>	<b>\$ 390,334</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 41,911	\$ 302,726	\$ 344,637	\$ 289,368
<b>TOTAL LIABILITIES</b>	<b>41,911</b>	<b>302,726</b>	<b>344,637</b>	<b>289,368</b>
<b>FUND BALANCES</b>				
Restricted for Emergencies	5,000	-	5,000	4,200
Unassigned	77,293	-	77,293	96,766
<b>TOTAL FUND BALANCE</b>	<b>82,293</b>	<b>-</b>	<b>82,293</b>	<b>100,966</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 124,204</b>	<b>\$ 302,726</b>	<b>\$ 426,930</b>	<b>\$ 390,334</b>

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

CHARTERCHOICE COLLOBARATIVE (SFA)

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2018

	2018			2017 ACTUAL
	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS	
REVENUES				
Local Sources	\$ 166,253	\$ 444,837	\$ 611,090	\$ 829,331
State and Federal Sources	-	2,593,436	2,593,436	2,195,152
TOTAL REVENUES	166,253	3,038,273	3,204,526	3,024,483
EXPENDITURES				
Supporting Services	184,926	3,038,273	3,223,199	2,976,425
TOTAL EXPENDITURES	184,926	3,038,273	3,223,199	2,976,425
NET CHANGE IN FUND BALANCE	(18,673)	-	(18,673)	48,058
FUND BALANCE, Beginning	100,966	-	100,966	52,908
FUND BALANCE, Ending	\$ 82,293	\$ -	\$ 82,293	\$ 100,966

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

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

CharterChoice Collaborative (SFA) (the “Collaborative”) is a Colorado nonprofit corporation which was incorporated in July 2009. The Collaborative’s mission is to provide its members administrative functions relating to the provision of food service under the National School Lunch Program. The Collaborative assists its members to comply with the National School Lunch Act, 42 U.S.C. §1751, and to engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

The accounting policies of the Collaborative conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the Collaborative and organizations for which the Collaborative is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Collaborative. In addition, any legally separate organizations for which the Collaborative is financially accountable are considered part of the reporting entity. Financial accountability exists if the Collaborative 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.

School Food Authority

The Collaborative has entered into an agreement with the Colorado Department of Education to act as a School Food Authority (“SFA”) for several charter schools. Federal funds were dispersed to the Authority based upon meals served at each school and counts turned into the Colorado Department of Education. The Collaborative is the reporting vehicle so that charter schools could participate in the NSLP and SBPs. Participating charter schools maintain revenues and expenses at their own sites, on behalf of the SFA. The activities of the SFA are reported as a special revenue fund in the Collaborative’s financial statements.

**Government-Wide and Fund Financial Statements**

The Collaborative’s financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Collaborative. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**Government-Wide and Fund Financial Statements** (Continued)

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 members who 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 governmental funds are reported in separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and business-type financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Collaborative.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Collaborative's policy to use restricted resources first and the unrestricted resources as they are needed.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

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

The Collaborative reports the following major governmental fund:

*General Fund* – This fund is the general operating fund of the Collaborative. It is used to account for all financial resources.

The *Food Service Fund* accounts for the financial activities associated with the Collaborative’s School Food Authority.

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

*Investments* – Investments are recorded at fair value.

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

**Net Position**

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* includes the Collaborative’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. The Collaborative does not report any Capital Assets or related debt as of June 30, 2018.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Collaborative typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

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

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Collaborative is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Collaborative has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Collaborative did not have any committed resources as of June 30, 2018.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Collaborative would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**Concentration of Risk**

Collaborative receives a substantial amount of its support from the U.S. Department of Agriculture. A significant reduction in the level of these grants, which, if it were to occur, may have an effect on the Collaborative's programs and activities.

**Compensated Absences**

The Collaborative's policy allows employees to accumulate paid time off based on the employee's years of service. Upon termination of employment, financial compensation is paid for unused paid time off up to the employee's maximum accrued amount. At June 30, 2018, no material amounts of unused paid time off were accrued. Therefore, no liability for accumulated paid time off is reported in the financial statements.

**Risk Management**

The Collaborative 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 Collaborative carries commercial insurance for these risks of loss. Settled claims have not exceeded coverage in the last three years.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund and Food Service Authority on a basis consistent with generally accepted accounting principles.

Collaborative's management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 3: CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Collaborative has no policy regarding custodial credit risk for deposits.

At June 30, 2018, the Collaborative had deposits with financial institutions with a carrying amount of \$114,626. The bank balances with the financial institutions were \$103,981, all of which was covered by federal depository insurance.

**Investments**

Interest Rate Risk

The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 3: CASH AND INVESTMENTS**

**Investments** (Continued)

Credit Risk (Continued)

- Guaranteed investment contracts

The Collaborative has no policy for managing credit risk or interest rate risk.

The Collaborative reported no investments as of June 30, 2018.

**NOTE 4: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The Collaborative participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. 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 Collaborative may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the Collaborative believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Collaborative.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Collaborative believes it has complied with the Amendment.

As required by the Amendment, the Collaborative has established a reserve for emergencies. At June 30, 2018, the reserve of \$5,000 was recorded as a restriction of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

CHARTERCHOICE COLLOBARATIVE (SFA)

GENERAL FUND  
 BUDGETARY COMPARISON STATEMENT  
 Year Ended June 30, 2018

	2018			VARIANCE Positive (Negative)	2017 Actual
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Grants and Donations	\$ -	\$ -	\$ -	\$ -	\$ 87,559
Charges for Services	162,000	167,000	166,253	(747)	137,787
TOTAL REVENUES	162,000	167,000	166,253	(747)	225,346
EXPENDITURES					
Salaries and Benefits	149,500	149,500	148,280	1,220	146,463
Purchased Services	53,250	51,500	35,338	16,162	29,468
Supplies and Materials	1,500	1,500	1,308	192	1,357
Appropriated Reserves	1,000	40,000	-	40,000	-
TOTAL EXPENDITURES	205,250	242,500	184,926	57,574	177,288
NET CHANGE IN FUND BALANCE	(43,250)	(75,500)	(18,673)	56,827	48,058
FUND BALANCE, Beginning	92,000	100,966	100,966	-	52,908
FUND BALANCE, Ending	\$ 48,750	\$ 25,466	\$ 82,293	\$ 56,827	\$ 100,966

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

CHARTERCHOICE COLLOBARATIVE (SFA)

SCHOOL FOOD AUTHORITY  
 BUDGETARY COMPARISON STATEMENT  
 Year Ended June 30, 2018

	2018		VARIANCE Positive (Negative)	2017 Actual
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Charges for Services	\$ -	\$ 315,684	\$ 315,684	\$ 294,312
Miscellaneous	-	129,153	129,153	309,673
State and Federal Sources				
Grants and Donations	3,039,000	2,593,436	(445,564)	2,195,152
 TOTAL REVENUES	 3,039,000	 3,038,273	 (727)	 2,799,137
EXPENDITURES				
Salaries and Benefits	-	43,566	(43,566)	119,166
Supplies	3,038,273	2,813,307	224,966	2,558,367
Property	-	6,100	(6,100)	15,091
Other	-	175,300	(175,300)	106,513
 TOTAL EXPENDITURES	 3,038,273	 3,038,273	 -	 2,799,137
 NET CHANGE IN FUND BALANCE	 727	 -	 (727)	 -
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ 727	\$ -	\$ (727)	\$ -

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

## **COMPLIANCE**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
CharterChoice Collaborative (SFA)  
Denver, Colorado

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of CharterChoice Collaborative (SFA) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise CharterChoice Collaborative (SFA)'s basic financial statements, and have issued our report thereon dated December 12, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CharterChoice Collaborative (SFA)'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CharterChoice Collaborative (SFA)'s internal control. Accordingly, we do not express an opinion on the effectiveness of the CharterChoice Collaborative (SFA)'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CharterChoice Collaborative (SFA)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*John Luttrell & Associates, LLC*

December 12, 2018



## JOHN CUTLER & ASSOCIATES

Board of Directors  
CharterChoice Collaborative (SFA)  
Denver, Colorado

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY UNIFORM GUIDANCE**

#### **Report on Compliance for Each Major Federal Program**

We have audited CharterChoice Collaborative (SFA)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CharterChoice Collaborative (SFA)'s major federal programs for the year ended June 30, 2018. CharterChoice Collaborative (SFA)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of CharterChoice Collaborative (SFA)'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CharterChoice Collaborative (SFA)'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CharterChoice Collaborative (SFA)'s compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, CharterChoice Collaborative (SFA) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of CharterChoice Collaborative (SFA) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CharterChoice Collaborative (SFA)'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CharterChoice Collaborative (SFA)'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*John Luther & Associates, LLC*

December 12, 2018

CHARTERCHOICE COLLOABORATIVE (SFA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
- Significant Deficiencies Noted? \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      x   no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
- Significant Deficiencies Noted? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

\_\_\_\_\_ yes      x   no

Identification of major program:

- 10.553            School Breakfast Program
- 10.555            National Food Lunch Program
- 10.559            Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      x   no

**Schedule of Prior Audit Findings**

The prior audit report contained no written audit findings.

**Findings Related to Financial Statements**

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

**Findings and Questioned Costs for Federal Awards**

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards

CHARTERCHOICE COLLOBARATIVE (SFA)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

	<u>Major Program ?</u>	<u>CDFA #</u>	<u>Pass-through Entity Identifying #</u>	<u>Total Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Passed through the Colorado Department of Education				
National School Breakfast Program	Yes (1)	10.553	4553	\$ 480,205
National School Lunch Program	Yes (1)	10.555	4555	1,532,696
Summer Food Service Program for Children	Yes (1)	10.559	4559	17,728
Passed through the Colorado Department of Human Services				
Food Distribution - Non cash commodities	Yes (1)	10.555	4555	167,135
Passed through the Colorado Department for Public Health and Environment				
Child and Adult Care Food Program	No	10.558	4558	<u>345,545</u>
<b>Total Federal Financial Assistance</b>				<u><u>\$ 2,543,309</u></u>

(1) Part of the Child Nutrition Cluster, total cluster expenditures: \$2,197,764

**NOTES**

**1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

2. The Collaborative has elected not to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs, CFR 200.510(6)

3. No amounts were provided to sub recipients per §200.510 (b)(4)

4. Reported commodities were valued based on current market value §200.502(g).

See the accompanying independent auditors' report.



**JOHN CUTLER  
& ASSOCIATES**

Board of Directors  
CharterChoice Collaborative (SFA)  
Denver, Colorado

**INDEPENDENT AUDITORS' REPORT ON ELECTRONIC FINANCIAL DATA  
INTEGRITY CHECK FIGURES**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the CharterChoice Collaborative (SFA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements 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.

**Auditor's 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 auditor's 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 entity's 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 entity's 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.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The electronic data integrity check figures listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the electronic data integrity check figures are fairly stated in all material respects in relation to the financial statements as a whole.

*John Luttrell & Associates, LLC*

December 12, 2018



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 8042 - CHARTER CHOICE COLLABORATIVE  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	100,966	166,253	184,926	82,293
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>100,966</b>	<b>166,253</b>	<b>184,926</b>	<b>82,293</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	3,038,273	3,038,273	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>100,966</b>	<b>3,204,526</b>	<b>3,223,199</b>	<b>82,293</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL