

BANNING LEWIS RANCH ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

BANNING LEWIS RANCH ACADEMY
TABLE OF CONTENTS
JUNE 30, 2020

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—General Fund	3
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Change in Fund Balance—General Fund	5
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	6
Statement of Net Position—Proprietary Fund	7
Statement of Revenues, Expenses, and Change in Net Position— Proprietary Fund	8
Statement of Cash flows— Proprietary Fund	9
Notes to Financial Statements	10
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—General Fund	23



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Banning Lewis Ranch Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Banning Lewis Ranch Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Banning Lewis Ranch Academy, as of June 30, 2020, and the respective changes in

financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of new accounting standard

As described in Note 1 to the financial statements, effective July 1, 2019, Banning Lewis Ranch Academy adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
September 25, 2020

Banning Lewis Ranch Academy is a K-10 Public Charter School located in Colorado Springs, Colorado that began operations in the fall of 2006. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Banning Lewis Ranch Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Governmental Fund Financial Statements.

Fund Financial Statements:

The governmental fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental activities including the Academy's major instruction and instructional support activities are reported in the General Fund. While governmental activities consist of functions that are mostly funded by intergovernmental revenues, business type activities consist of functions that are intended to recover all or most of their costs through user fees and charges. The Academy includes the Banning Lewis Ranch Academy Building Company, LLC as a business type component unit in its fund financial statements as the debt service requirements of the facility financing arrangement is designed to be funded by lease payments from the Academy.

In the governmental fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported on the balance sheet. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded on the balance sheet.

Government-wide Financial Statements:

The Government-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both current and long term, regardless if they are "currently available" or not. For example, capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Government-wide financial statements.

Banning Lewis Ranch Academy
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Position:

The following summarizes the net position at fiscal year end June 30, 2020:

	Net Position Summary					
	Governmental Activities		Business-type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Assets						
Current assets	<u>\$3,146,394</u>	<u>\$4,609,473</u>	<u>\$4,221,078</u>	<u>\$4,492,472</u>	<u>\$7,367,472</u>	<u>\$9,101,945</u>
Capital assets	2,568,467	2,773,175	24,940,926	24,940,926	27,509,393	27,714,101
Less: accumulated depreciation	<u>(1,086,021)</u>	<u>(1,278,256)</u>	<u>(2,601,372)</u>	<u>(3,127,449)</u>	<u>(3,687,393)</u>	<u>(4,405,705)</u>
Capital assets, net book value	1,482,446	1,494,919	22,339,554	21,813,477	23,822,000	23,308,396
Total assets	<u>\$4,628,840</u>	<u>\$6,104,392</u>	<u>\$26,560,632</u>	<u>\$26,305,949</u>	<u>\$31,189,472</u>	<u>\$32,410,341</u>
Deferred Outflows	0	0	98,960	92,949	98,960	92,949
Liabilities						
Current liabilities	\$951,100	\$971,492	\$212,482	\$542,151	\$1,163,582	\$1,513,643
Long-term liabilities	0	0	27,620,000	27,145,000	27,620,000	27,145,000
Total liabilities	<u>\$951,100</u>	<u>\$971,492</u>	<u>\$27,832,482</u>	<u>\$27,687,151</u>	<u>\$28,783,582</u>	<u>\$28,658,643</u>
Net position						
Net investment (deficit) in capital assets	\$1,482,446	\$1,494,919	(\$5,034,159)	(\$5,417,140)	(\$3,551,713)	(\$3,922,221)
Restricted	351,900	393,000	3,861,269	4,128,887	4,213,169	4,521,887
Unrestricted	<u>1,843,394</u>	<u>3,244,981</u>	<u>0</u>	<u>0</u>	<u>1,843,394</u>	<u>3,244,981</u>
Total net position	<u>\$3,677,740</u>	<u>\$5,132,900</u>	<u>(\$1,172,890)</u>	<u>(\$1,288,253)</u>	<u>\$2,504,850</u>	<u>\$3,844,647</u>

FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES

During fiscal year ended June 30, 2020, the Academy's net position increased by \$1,227,372 as compared to an increase of \$1,047,721 in the prior fiscal year ending June 30, 2019. This increase is primarily the result of increased State and District funding and decreased expenses related to Support Services in the General Fund. Asset balances increased by \$1,220,869 while liability balances decreased by \$124,939. The increase in asset balances originates primarily from an increase in cash balances mainly in the General Operating Fund. The decrease in liability balances reflects a principal payment on the facility bond debt in the amount of \$145,000.

Banning Lewis Ranch Academy
Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2020

A. Results of Operations:

For the fiscal year ended June 30, 2019 and 2020, the Academy wide results of operations were:

	Governmental Activities				Business-type Activities				Total			
	2019		2020		2019		2020		2019		2020	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General revenue:												
State and District aid - all sources	\$10,525,043	110.38%	\$11,917,664	107.01%	\$0	0.00%	\$0	0.00%	\$10,525,043	88.72%	\$11,917,664	90.26%
Other	-1,625,305	-17.05%	-1,475,526	-13.25%	2,328,615	99.99%	2,066,432	100.00%	703,310	5.93%	590,906	4.48%
Total general revenue	8,899,738	93.34%	10,442,138	93.76%	2,328,615	99.99%	2,066,432	100.00%	11,228,353	94.64%	12,508,570	94.74%
Program revenue:												
Charges for services	143,995	1.51%	222,996	2.00%	0	0.00%	0	0.00%	143,995	1.21%	222,996	1.69%
Operating grants - federal and state	491,225	5.15%	471,670	4.24%	280	0.01%	0	0.00%	491,505	4.14%	471,670	3.57%
Total program revenue	635,220	6.66%	694,666	6.24%	280	0.01%	0	0.00%	635,500	5.36%	694,666	5.26%
Total revenue	9,534,958	100.00%	11,136,804	100.00%	2,328,895	100.00%	2,066,432	100.00%	11,863,853	100.00%	13,203,236	100.00%
Expenses:												
Instruction and instructional services	4,370,999	50.67%	5,851,701	59.75%	0	0.00%	0	0.00%	4,370,999	40.41%	5,851,701	48.86%
Support services	4,255,894	49.33%	3,942,368	40.25%	0	0.00%	0	0.00%	4,255,894	39.35%	3,942,368	32.92%
Interest on long-term debt	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Building Corporation	0	0.00%	0	0.00%	2,189,239	100.00%	2,181,795	100.00%	2,189,239	20.24%	2,181,795	18.22%
Total expenses	8,626,893	100.00%	9,794,069	100.00%	2,189,239	100.00%	2,181,795	100.00%	10,816,132	100.00%	11,975,864	100.00%
Increase (decrease) in net position	\$908,065		\$1,342,735		\$139,656		(\$115,363)		\$1,047,721		\$1,227,372	

B. Per Pupil Revenue (PPR)

The Academy’s PPR funding is determined by the following variables:

Per Pupil Funding: Annually, the State and the District sets the per pupil funding based on a base funding amount as adjusted by a number of factors including a cost-of-living factor and an At-Risk demographics factor. The Banning Lewis Ranch Academy PPOR was \$7,777 for the 2018-19 school year and \$8154 for the 2019-20 school year.

Student Enrollment: The Academy’s student enrollment for the fall count of the 2018-19 was 1,328 students as compared 1,441 students for the fall of 2019-20. To calculate total state aid to be provided by the District funded PPR, enrollment is multiplied by the Academy’s per pupil funding. It should be noted that Kindergarten students are only funded at 58% of the pupil allocation. The funded full time equivalent (FTE) student count after adjusting out .42 FTE for each kindergarten student was 1,327.7 for 2018-19 and 1435 for 2019-20.

C. Major Fund Budgetary Highlights

General Fund Operations

The Academy’s only major governmental type fund is the General Fund. Revenues and other financing sources from General Fund operations was greater than Expenditures and other

Banning Lewis Ranch Academy
 Management’s Discussion and Analysis
 For Fiscal Year Ended June 30, 2020

financing uses by \$1,330,262 for the fiscal year ended June 30, 2020. Some budgetary highlights are as follows:

Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues and Other Financing Sources		
2018-2019	\$12,181,214	\$11,779,627
2019-2020	\$12,831,985	\$13,145,031
Expenditures and Other Financing Sources		
2018-2019	\$11,925,081	\$11,574,750
2019-2020	\$12,234,313	\$11,814,769

Original vs. Final Budget

As a matter of practice, the Academy amends its budget periodically as needed during the school year. For the fiscal year 2019-20, the budget was amended on January 21, 2020. The January 21, 2020 budget amendment was the final budget for the fiscal year. The Academy Board does not budget for expenditures covered by grants or the grant revenue until an award allocation is received. The General Fund does not budget for debt financed capital outlays, if applicable, in the original budget.

Changes from Original to Final General Budget

Revenues and Other Financing Sources

Total Revenues Original Budget	\$12,638,490
Total Revenues Final Budget	<u>12,831,985</u>
Increase in Budgeted Revenues	\$193,495

The Academy’s final general fund revenues were higher than the final budget by \$313,046, a variance of 2.4%.

The following are the significant changes in revenues from the original budget:

Increase in Revenues from State Sources for Per Pupil Funding

Expenditures and Other Financing Sources:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$12,245,806
Total Expenditures Final Budget	<u>12,234,313</u>
Decrease in Expenditures	-\$11,493

The Academy's actual expenditures were lower than final budget by \$419,544, a variance of 3.4%

The following were the most significant changes in expenditures from the original budget:

Increased revenues from State Sources for Per Pupil Revenue

D. Proprietary Fund Highlights

The Banning Lewis Ranch Academy Building Company, LLC, a business type component unit included in the fund financial statements, receives lease income from the Academy and in turn uses those receipts to fund the debt reserves and make scheduled debt service payments in accordance with the facility financing arrangement. The scheduled lease payments are designed to provide sufficient cash flow to fund the required debt service and reserves. As explained earlier under FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES, certain timing differences related to depreciation and debt retirement as well as the use of capitalized interest have caused the Academy to incur losses. Due to the temporary nature of those differences, it is expected that the losses will reverse themselves over the life of the facility financing arrangement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy’s net investment in capital assets decreased by \$370,508 during the fiscal year. Capital asset additions of \$204,708 included site improvements for a track, security camera, and building furnishings and technology. This can be summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets	\$27,509,393	\$204,708		\$27,714,101
Less: Accumulated depreciation	<u>(3,687,393)</u>	<u>(718,312)</u>		<u>(4,405,705)</u>
Net investments in capital assets	<u>\$23,822,000</u>	<u>(\$513,604)</u>	<u>0</u>	<u>\$23,308,396</u>

For more information on capital assets, refer to Note 5 in the basic financial statements.

B. Depreciation Expense

GASB 34 requires governmental entities to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position in the governmental-wide financial statements. Depreciation is not recognized in the governmental fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

For the fiscal year ended June 30, 2020, the net increase in accumulated depreciation was \$718,312.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

C. Debt, Principal Payments

The Academy’s building company unit issued debt in 2006 to fund the acquisition and construction of the facility being used. This debt was refinanced in FY2017. A summary of long-term debt service activities is as follows.

	Balance 6/30/2019	New Financings	Principal Payment	Balance 6/30/2020
Loans payable	\$27,765,000	\$0	\$145,000	\$27,620,000

ECONOMIC FACTORS AND NEXT’S YEAR BUDGET

The Preliminary Budget for 2020-21 Fiscal Year was adopted by the Board of Directors on June 16, 2020. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on feedback from the State, the District and the community. Some key factors and estimates used in the 2020-21 preliminary budget process include:

- The Academy’s PPR funding had been estimated to be \$7,509 per pupil;
- Enrollment projections of 1521, students in grades K-10 with a funded FTE of 1521;
- Teaching staff, at maximum, would provide one teacher for every 25 students;
- Benefit costs would be based on group coverage rates through same providers the Academy used in FY 2019-20.

CONTACTING THE ACADEMY’S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy’s finances. If you have questions about this report or need additional information, contact the Administration Office, Banning Lewis Ranch Academy, 7094 Cottonwood Tree Drive, Colorado Springs, Colorado, 80927.

BASIC FINANCIAL STATEMENTS

BANNING LEWIS RANCH ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,675,572	\$ -	\$ 4,675,572
Restricted cash and investments	-	4,384,859	4,384,859
Internal balances	(107,613)	107,613	-
Prepaid items	41,514	-	41,514
Capital assets not being depreciated	17,000	-	17,000
Capital assets, net of accumulated depreciation	1,477,919	21,813,477	23,291,396
Total Assets	<u>6,104,392</u>	<u>26,305,949</u>	<u>32,410,341</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	92,949	92,949
LIABILITIES			
Accounts payable and other accrued liabilities	320,048	-	320,048
Accrued salaries and benefits	651,444	-	651,444
Accrued interest payable	-	67,151	67,151
Long-term liabilities			
Due within one year	-	475,000	475,000
Due in more than one year	-	27,145,000	27,145,000
Total Liabilities	<u>971,492</u>	<u>27,687,151</u>	<u>28,658,643</u>
NET POSITION			
Net investment in capital assets	1,494,919	(5,417,140)	(3,922,221)
Restricted for:			
TABOR	393,000	-	393,000
Debt Service	-	4,128,887	4,128,887
Unrestricted	3,244,981	-	3,244,981
Total Net Position (deficit)	<u>\$ 5,132,900</u>	<u>\$ (1,288,253)</u>	<u>\$ 3,844,647</u>

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

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 5,851,701	\$ 222,996	\$ 71,520	\$ 400,150	\$ (5,157,035)	\$ -	\$ (5,157,035)
Supporting services	3,942,368	-	-	-	(3,942,368)		(3,942,368)
Total governmental activities	9,794,069	222,996	71,520	400,150	(9,099,403)		(9,099,403)
Business-type activities:							
Building Company	2,181,795	-	-	-		(2,181,795)	(2,181,795)
Total	\$ 11,975,864	\$ 222,996	\$ 71,520	\$ 400,150		(2,181,795)	(11,281,198)
General revenues:							
Per pupil revenue					11,685,682	-	11,685,682
Mill levy override					230,861	-	230,861
Unrestricted investment earnings					1,121	58,205	59,326
Miscellaneous					532,701	-	532,701
Transfers					(2,008,227)	2,008,227	-
Total general revenues and transfers					10,442,138	2,066,432	12,508,570
Change in net position					1,342,735	(115,363)	1,227,372
Net position - beginning, as restated (deficit)					3,790,165	(1,172,890)	2,617,275
Net position - ending (deficit)					\$ 5,132,900	\$ (1,288,253)	\$ 3,844,647

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

**BANNING LEWIS RANCH ACADEMY
BALANCE SHEET
GENERAL FUND
JUNE 30, 2020**

ASSETS

Cash and investments	\$ 4,675,572
Prepaid items	41,514
	<hr/>
Total Assets	\$ 4,717,086
	<hr/> <hr/>

LIABILITIES

Accounts payable and other accrued liabilities	\$ 320,048
Accrued salaries and benefits	651,444
Due to other funds	107,613
	<hr/>
Total Liabilities	1,079,105
	<hr/>

FUND BALANCE

Non-spendable	41,514
Restricted for emergencies	393,000
Unassigned	3,203,467
	<hr/>
Total Fund Balance	3,637,981
	<hr/>

Total Liabilities and Fund Balance	\$ 4,717,086
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The accompanying notes are an integral part of these financial statements.

**BANNING LEWIS RANCH ACADEMY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ 3,637,981
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	<u>1,494,919</u>
Total Net Position of Governmental Activities	<u><u>\$ 5,132,900</u></u>

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Local sources	\$ 987,679
State sources	12,094,452
Federal sources	<u>62,900</u>
 Total revenues	 <u>13,145,031</u>

EXPENDITURES

Instruction	5,692,484
Supporting services	6,003,079
Facilities acquisition and construction	<u>119,206</u>
 Total expenditures	 <u>11,814,769</u>

Net change in fund balance	1,330,262
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Fund balance, beginning - as restated	<u>2,307,719</u>
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Fund balance, ending	<u><u>\$ 3,637,981</u></u>
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The accompanying notes are an integral part of these financial statements.

**BANNING LEWIS RANCH ACADEMY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	1,330,262
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlays	\$	204,708
Depreciation Expense		(192,235)
		12,473
Change in Net Position of Governmental Activities	\$	1,342,735

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	<u>Building Company</u>
ASSETS	
Current Assets:	
Restricted cash and investments	\$ 4,384,859
Due from other funds	107,613
Noncurrent Assets:	
Capital assets being depreciated, net of accumulated depreciation	<u>21,813,477</u>
Total assets	<u>26,305,949</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>92,949</u>
LIABILITIES	
Current Liabilities:	
Accrued interest payable	67,151
Loan payable, current portion	<u>475,000</u>
Total current liabilities	542,151
Noncurrent Liabilities:	
Loan payable	<u>27,145,000</u>
Total liabilities	<u>27,687,151</u>
NET POSITION	
Net investment in capital assets	(5,417,140)
Restricted for debt service	<u>4,128,887</u>
Total net position (deficit)	<u><u>\$ (1,288,253)</u></u>

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Company</u>
OPERATING REVENUES	
Rental income	<u>\$ 2,008,227</u>
OPERATING EXPENSES	
Purchased services	7,500
Interest expense	<u>1,648,219</u>
Total operating expenses	<u>1,655,719</u>
Net operating income (loss)	<u>352,508</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	58,205
Depreciation expense	<u>(526,076)</u>
Total non-operating revenues (expenses)	<u>(467,871)</u>
Change in net position	(115,363)
Net position - beginning	<u>(1,172,890)</u>
Net position - ending (deficit)	<u><u>\$ (1,288,253)</u></u>

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

**BANNING LEWIS RANCH ACADEMY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Building Company</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 2,015,726
Interest payments	(1,642,537)
Principal payments	(145,000)
Other cash payments	<u>(7,500)</u>
Net cash provided (used) by operating activities	<u>220,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>58,205</u>
Net increase (decrease) in cash and cash equivalents	278,894
Cash and cash equivalents, beginning	<u>4,105,965</u>
Cash and cash equivalents, ending	<u><u>\$ 4,384,859</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 352,508
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	6,013
Changes in assets and liabilities:	
<i>(Increase) decrease in:</i>	
Change in Due to/Due from	7,499
<i>Increase (decrease) in:</i>	
Interest payable	(331)
Loan payable	<u>(145,000)</u>
Net cash provided (used) by operating activities	<u><u>\$ 220,689</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Banning Lewis Ranch Academy (the School) began operations on January 9, 2006, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Falcon School District 49 (the District). The School started admitting students in September 2006.

The financial statements of Banning Lewis Ranch Academy have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Banning Lewis Ranch Academy Building Company, LLC (the Building Company) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Building Company has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Building Company does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District, because the District provides the majority of support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2037 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School reports the following major proprietary fund:

The Building Company is used to account for financial activities primarily related to capital assets and related debt service.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund, financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues 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. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE*

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Receivables

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include buildings, improvements, and furniture and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$1,500. Donated capital assets are valued at their acquisition value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 50 years
Furniture and equipment	5 to 10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Long-term liabilities

In the government-wide financial statements, and proprietary fund types 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 type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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 School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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.

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 that was used 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.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

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 School 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 resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all state equalization.

Compensated absences

It is the School’s policy to permit employees to accumulate vacation time. Accrued vacation time may not be carried into the next fiscal year; therefore, a liability for these benefits has not been reflected in these financial statements.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the School’s enterprise fund is rental income. Operating expenses for the enterprise fund includes interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. ADOPTION OF NEW ACCOUNTING STANDARD

Banning Lewis Ranch Academy implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2019. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities. As a result, net position at June 30, 2019, was restated to reflect the cumulative effect of adopting this standard.

Restatements had the following impact on previously reported balances:

Net Position, June 30, 2019, as originally stated	\$ 3,677,740
Adoption of new accounting standard	<u>112,425</u>
Net Position, June 30, 2019, as Restated (deficit)	<u>\$ 3,790,165</u>
Fund Balance, June 30, 2019, as originally stated	\$ 2,195,294
Adoption of new accounting standard	<u>112,425</u>
Fund Balance, June 30, 2019, as Restated	<u>\$ 2,307,719</u>

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 4,675,572
Investments	<u>4,384,859</u>
Total	<u>\$ 9,060,431</u>

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

Cash and investments	\$ 4,675,572
Restricted cash and investments	<u>4,384,859</u>
Total	<u>\$ 9,060,431</u>

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School’s deposits might not be recovered. 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. 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 carrying amount of the School’s deposits at June 30, 2020 was \$4,675,572 and the bank balances were \$4,965,510. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$4,715,510 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

Investments

Credit Risk

The School is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

State law limits investments to those described above. The School does not have an investment policy that would further limit its investment choices.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

At June 30, 2020 the School’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
CSAFE	Less than 60 days	<u>\$ 4,384,859</u>

The Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirement of creating and operating CSAFE. CSAFE is rated AAAM by the Standard and Poor’s Corporation. Investments of CSAFE 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.

All of the investment balances were restricted for debt service and capital construction.

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are created in conjunction with the School’s pooled cash account. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Building Company	General Fund	<u>\$ 107,613</u>

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 17,000	\$ -	\$ 17,000
Capital assets, being depreciated:				
Site Improvements	1,436,741	98,663	-	\$ 1,535,404
Furniture and equipment	<u>1,131,726</u>	<u>89,045</u>	-	<u>1,220,771</u>
Total depreciable assets	2,568,467	187,708	-	2,756,175
Less accumulated depreciation	<u>(1,086,021)</u>	<u>(192,235)</u>	-	<u>(1,278,256)</u>
Total capital assets being depreciated, net	<u>1,482,446</u>	<u>(4,527)</u>	-	<u>1,477,919</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,482,446</u>	<u>\$ 12,473</u>	<u>\$ -</u>	<u>\$ 1,494,919</u>
<i>Business-type Activities</i>				
Capital assets, being depreciated:				
Building and improvements	\$ 24,202,450	\$ -	\$ -	\$ 24,202,450
Furniture and equipment	<u>738,476</u>	-	-	<u>738,476</u>
Total depreciable assets	24,940,926	-	-	24,940,926
Less accumulated depreciation	<u>(2,601,372)</u>	<u>(526,077)</u>	-	<u>(3,127,449)</u>
Total capital assets being depreciated, net	<u>22,339,554</u>	<u>(526,077)</u>	-	<u>21,813,477</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 22,339,554</u>	<u>\$ (526,077)</u>	<u>\$ -</u>	<u>\$ 21,813,477</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

<i>Governmental activities</i>	
Instruction	<u>\$ 192,235</u>

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – LONG-TERM LIABILITIES

Building Company Loan

Principal
Balance

On September 1, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$28,355,000 Charter School Revenue Bonds, Series 2016. Bond proceeds were loaned to the Building Company under a mortgage and loan agreement to refund the Charter School Revenue Bonds, Series 2006 with an outstanding amount of \$6,955,000 as of June 1, 2016, to complete the building facility and improvements. The School is obligated under a lease agreement to make monthly lease payments to the Building Company for use of the facilities. The Building Company is required to make loan payments to the Trustee, for payment of the bonds. Interest payments are made in semi-annual installments at an interest rate of 6.00 to 7.00%. Principal payments are due annually on December 15 through 2047.

\$ 27,620,000

Annual debt service requirements to maturity for the note payable are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 475,000	\$ 1,625,700
2022	430,000	1,655,425
2023	420,000	1,650,412
2024	445,000	1,625,150
2025	475,000	1,598,275
2026 – 2030	2,880,000	7,522,410
2031 – 2035	3,945,000	6,533,214
2036 – 2040	5,400,000	5,168,913
2041 – 2045	7,555,000	3,153,426
2046 – 2047	<u>5,595,000</u>	<u>448,638</u>
Total	<u>\$ 27,620,000</u>	<u>\$ 30,981,563</u>

Long-term liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
2016 Loan payable	<u>\$ 27,765,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 27,620,000</u>	<u>\$ 475,000</u>

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – MANAGEMENT AGREEMENT

Under the agreement, ACCEL agreed to provide regulatory, financial, facilities, and other assistance and expertise to the School. Under the terms of the agreement, the School is required to pay ACCEL an annual fee for services performed. The fee is 10% of total state equalization and state and federal grants received for the year. The administrative fees earned by ACCEL for the year ended June 30, 2020 were \$1,028,650.

On April 3, 2020, the School signed a new agreement with ACCEL which provides for a management fee of 8% of local, state, and federal revenues, excluding impact aid. This agreement is effective July 1, 2020 and expires June 30, 2025.

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 9 – CONCENTRATION OF RISK

The School is funded directly by Falcon School District 49 (the District) based on the District's per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 89% of the School's revenues.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

Site Lease

On May 1, 2006, the Building Company entered into a site lease agreement with the District. Under the agreement, the District retains fee simple ownership of the land upon which the School's facilities are located through May 1, 2041. The Building Company will retain a leasehold interest in the land through the term of the agreement, at which time ownership of the land and facilities vests with the District. The agreement also provides that the School will retain possession of the School facilities following termination of the site lease agreement as long as the School continues to operate as a charter school.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION

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 governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2020 there is a \$393,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Taxes	\$ 297,000	\$ 292,000	\$ 230,861	\$ (61,139)
Tuition	26,515	26,515	48,772	22,257
Fees	101,085	101,085	104,525	3,440
Interest income	4,802	4,802	1,121	(3,681)
Pupil Activities	54,133	54,133	-	(54,133)
Other local revenue	199,998	199,999	602,400	402,401
	683,533	678,534	987,679	309,145
State sources:				
Per pupil revenue	11,479,618	11,670,070	11,685,682	15,612
Operating grants	42,895	42,895	8,620	(34,275)
Capital grants	403,771	411,813	400,150	(11,663)
	11,926,284	12,124,778	12,094,452	(30,326)
Federal sources:				
Operating grants	28,673	28,673	62,900	34,227
Total revenues	12,638,490	12,831,985	13,145,031	313,046
EXPENDITURES				
Instruction				
Salaries	3,466,820	3,401,621	3,258,382	143,239
Benefits	734,632	720,816	690,463	30,353
Purchased services	1,325,473	1,300,546	1,245,781	54,765
Supplies	429,361	421,286	403,546	17,740
Property	24,802	24,336	23,311	1,025
Other	75,543	74,122	71,001	3,121
Supporting services				
Salaries	1,343,566	1,338,156	1,356,205	(18,049)
Benefits	282,518	281,381	285,176	(3,795)
Purchased services	4,050,039	4,033,731	4,088,139	(54,408)
Supplies	182,200	181,466	183,914	(2,448)
Property	59,108	58,870	59,664	(794)
Other	29,700	29,581	29,981	(400)
Facilities acquisition and construction	160,000	280,000	119,206	160,794
Appropriated reserves	82,045	88,402	-	88,402
Total expenditures	12,245,806	12,234,313	11,814,769	419,544
Net change in fund balances	392,684	597,672	1,330,262	732,590
Fund balances - beginning	2,006,731	2,006,731	2,307,719	300,988
Fund balance - ending	\$ 2,399,415	\$ 2,604,403	\$ 3,637,981	\$ 1,033,578

See the accompanying Independent Auditors' Report.