

ACADEMY OF ADVANCED LEARNING

BASIC FINANCIAL STATEMENTS

June 30, 2021

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FINANCIAL SECTION

Board of Directors
Academy of Advanced Learning
Aurora, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy of Advanced Learning (the "School"), as of and for the year ended June 30, 2021, 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.

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 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, each major fund, and the aggregate remaining fund information of the Academy of Advanced Learning, as of June 30, 2021, 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, the budgetary comparison information, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 58-62 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 School's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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) is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic 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 October 4, 2021, on our consideration of the School'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 solely 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 the effectiveness of the School's 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 the School's internal control over financial reporting and compliance.

PB Solutions LLC

October 4, 2021

**Third Future Schools
Dba Academy of Advanced Learning
(A Component of the Joint School District NO, 28-J of the counties of Adams and
Arapahoe, Colorado)
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021**

As management of Third Future Schools dba Academy of Advanced Learning (TFS/AAL), we offer readers of TFS/AAL's financial statements this narrative overview and analysis of the financial activities of the TFS/AAL for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

The year ending June 30, 2021, represented the fourth year of school operations bringing with it per pupil revenue of \$7,937,178. Net position amounted to \$(7,335,567) as of June 30, 2021.

The financial results of the TFS/AAL under a government-wide accounting presentation are materially impacted by GASB 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB State No 27*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Under GASB 68 and 75, TFS/AAL must report liabilities for its proportionate share of the entire underfunded status of these respective plans.

Excluding the impact of GASB 68 and GASB 75, the assets of TFS/AAL exceeded its liabilities at the close of the most recent financial year by \$3,207,027. However, due to GASB 68 and GASB 75, the liabilities and deferred inflows of resources of TFS/AAL exceeded the assets and deferred outflows of resources resulting in a deficit net position of \$7,335,567 an increase of \$42,907 from FY 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to TFS/AAL's basic financial statements. The School's basic financial statements consist 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 TFS/AAL's finances, in a manner similar to a private-sector business.

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

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The statement of activities presents information showing how TFS/AAL's net position changed during the 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, revenue and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TFS/AAL, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, TFS/AAL maintains one governmental fund – its General Fund – which reports all activity, including that of the Building Corporation.

TFS/AAL adopts an annual budget for its general fund. A budgetary comparison had been provided for the general fund in the financial statements to demonstrate compliance with the budget.

Notes to the Financial Statements

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the budgetary information for the school.

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Arapahoe, Colorado)
Management's Discussion and Analysis
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Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in a governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

TFS/AAL adopts an annual budget on a fund basis. The budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of TFS/AAL's financial position. As of June 30, 2021, TFS/AAL's net position deficit was \$7,335,567. Net investment in capital assets was \$1,387,528 as of June 30, 2021. TFS/AAL had unrestricted net position deficit of \$(9,041,111) as of June 30, 2021 which is significantly impacted by GASBs 68 and 75 as previously discussed. Following is a condensed statement of net position as of June 30, 2021:

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 Management's Discussion and Analysis
 As of and for the Year Ended June 30, 2021**

Condensed Statement of Net Position

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash and Investments	\$ 2,323,559	\$ 1,986,801
Restricted Cash & Investments	374,949	50,000
Accounts Receivable	341,429	190,747
Due from Other Schools	320,486	1,191,230
Prepaid Expenses	-	62,000
Deposits	161,900	101,435
Capital Assets, Net of Accumulated Depreciation	9,881,140	2,509,469
<i>Total Assets:</i>	13,403,463	6,091,682
 DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB Liability	350,556	340,032
Related to Pensions	7,556,302	4,444,013
<i>Total Deferred Outflows of Resources:</i>	7,906,858	4,784,045
 LIABILITIES		
Accounts Payable	198,435	181,333
Accrued Salary and Benefits Liability	868,681	806,243
Due from Other Funds	213,574	5,772
Interest Payable	47,186	13,709
Noncurrent Liabilities		
Due in One Year	45,667	650,074
Due in More than One Year	8,822,894	898,300
Net OPEB Liability	466,290	454,226
Net Pension Liability	12,846,003	9,241,471
<i>Total Liabilities:</i>	23,508,730	12,251,128
 DEFERRED INFLOWS OF RESOURCES		
Related to OPEB Liability	150,158	83,909
Related to Pensions	4,987,001	5,286,587
<i>Total Deferred Inflows of Resources:</i>	5,137,159	5,370,496
 NET POSITION		
Investment in Capital Assets	1,387,528	1,526,867
Restricted for Emergencies (Tabor)	318,016	260,340
Unrestricted	(9,041,111)	(8,533,104)
<i>Total Net Position:</i>	\$ (7,335,567)	\$ (6,745,897)

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 Management's Discussion and Analysis
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TFS/AAL's primary source of revenue during the year was per pupil revenue. TFS/AAL incurred expenses related to instruction, support services, and long-term debt during the fiscal year-end June 30, 2021.

Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
REVENUES		
Operating Grants and Contributions	\$1,659,855	\$905,651
Capital Grants and Contributions	279,567	211,089
General Revenues	11,497,706	8,828,961
	<u>13,437,128</u>	<u>9,945,701</u>
EXPENDITURES		
Current		
Instructional	5,787,470	6,926,857
Supporting Services	7,233,240	4,382,666
Interest and Fiscal Charges	373,511	39,972
	<u>13,394,221</u>	<u>11,349,495</u>
	<u>42,907</u>	<u>-1,403,794</u>
NET CHANGE IN NET POSITION		
	<u>-\$7,378,474</u>	<u>-\$5,342,103</u>
NET POSITION, Beginning, As Restated		
	<u>-\$7,335,567</u>	<u>-\$6,745,897</u>

Financial Analysis of the School's Funds

As noted earlier, TFS/AAL uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the TFS/AAL's general fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing TFS/AAL's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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Management's Discussion and Analysis
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At the end of the current fiscal year, unassigned fund balance of the General Fund was a of \$1,436,769, and total fund balance decreased to \$1,916,685. The School is required by statute to keep an emergency reserve, which was \$318,016 as of June 30, 2021. TFS/AAL met this requirement.

Capital Asset and Debt Administration

Capital assets. TFS/AAL's investment in capital assets is \$9,881,140 at June 30, 2021. In August of 2020, TFS finalized the purchase of the property at 350 Blackhawk St in Aurora, Colorado, for \$7,371,671. This contributed to the increase in AAL's capital assets. More details can be found in note 4 of the footnotes to the financial statements.

Long-term Debt. The balance of TFS/AAL's long term debt is \$8,868,561 as of June 30, 2021 (this excludes the Pension and OPEB liabilities). It is important to note that the Payroll Protection Plan (PPP) loan of \$911,523 received in 2019-2020 was 100% forgiven and this debt was relieved. More details can be found in note 5 of the footnotes to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget will be student enrollment. The Funded Pupil Count (FPC) projected for the 2021-2022 school year in the adopted budget approved by the Board is 950, which is an increase of 27 in FPC from the 2020-2021 school year. This is a major factor in preparing TFS/AAL's budget for the fiscal year 2021-2022.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Angela Perea, Director of Finance at 431 Sable Blvd, Aurora, CO 80011.

BASIC FINANCIAL STATEMENTS

ACADEMY OF ADVANCED LEARNING

STATEMENT OF NET POSITION
As of June 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 2,323,559
Restricted Cash and Investments	374,949
Accounts Receivable	341,429
Due From Other Schools	320,486
Deposits	161,900
Capital Assets, Not Depreciated	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	9,881,140
TOTAL ASSETS	<u>13,403,463</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	7,556,302
Related to OPEB	350,556
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,906,858</u>
LIABILITIES	
Accounts Payable	198,434
Accrued Salaries and Benefits	868,681
Due to District	213,574
Accrued Interest Payable	47,186
Noncurrent Liabilities	
Due in One Year	45,667
Due in More than One Year	8,822,894
Net Pension Liability	12,846,003
Net OPEB Liability	466,290
TOTAL LIABILITIES	<u>23,508,729</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	4,987,001
Related to OPEB	150,158
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,137,159</u>
NET POSITION	
Net Investment in Capital Assets	1,387,528
Restricted for Emergencies	318,016
Unrestricted	(9,041,111)
TOTAL NET POSITION	<u>\$ (7,335,567)</u>

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

ACADEMY OF ADVANCED LEARNING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
					GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instructional	\$ 5,787,470	\$ -	\$ 252,791	\$ -	\$ (5,534,679)
Supporting Services	7,233,240	-	1,407,064	279,567	(5,546,609)
Interest and Other Fiscal Charges	373,511	-	-	-	(373,511)
Total Governmental Activities	\$ 13,394,221	\$ -	\$ 1,659,855	\$ 279,567	(11,454,799)
GENERAL REVENUES					
					7,937,178
					2,583,661
					388
					64,956
SPECIAL ITEM					
					911,523
					<u>11,497,706</u>
CHANGE IN NET POSITION					
					42,907
NET POSITION, Beginning, Restated					
					<u>(7,378,474)</u>
NET POSITION, Ending					
					<u>\$ (7,335,567)</u>

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

ACADEMY OF ADVANCED LEARNING

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 2,323,559
Restricted Cash and Investments	50,000
Accounts Receivable	341,429
Due from Other Schools	320,486
Deposits	161,900
TOTAL ASSETS	<u>\$ 3,197,374</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 198,434
Accrued Salaries	868,681
Due to District	213,574
TOTAL LIABILITIES	<u>1,280,689</u>
FUND BALANCES	
Nonspendable	161,900
Restricted for Emergencies	318,016
Unassigned	1,436,769
TOTAL FUND BALANCES	<u>1,916,685</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,197,374</u>

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

ACADEMY OF ADVANCED LEARNING

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds		\$ 1,916,685
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
	Capital Assets, not depreciated	-
	Capital Assets, depreciated	3,236,767
	Accumulated Depreciation	<u>(739,678)</u>
		2,497,089
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.		
	Loan Payable	(313,561)
	Net Pension Liability	(12,846,003)
	Net OPEB Liability	<u>(466,290)</u>
		(13,625,854)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
	Deferred outflows of resources - Change in Proportionate Share	5,154,265
	Deferred outflows of resources - Subsequent Contributions	460,467
	Deferred outflows of resources - Expected vs Actual Experience	705,824
	Deferred outflows of resources - Projected vs Actual Investments Earnings	-
	Deferred outflows of resources - Change in Assumptions	1,235,746
	Deferred inflows of resources - Projected vs Actual Investments Earnings	(2,827,697)
	Deferred inflows of resources - Change in Assumptions	(2,159,304)
	Deferred inflows of resources - Change in Proportionate Share	<u>-</u>
		2,569,301
	Deferred outflows of resources - Change in Proportionate Share OPEB	322,208
	Deferred outflows of resources - Subsequent Contributions OPEB	23,626
	Deferred outflows of resources - Expected vs Actual Experience OPEB	1,238
	Deferred outflows of resources - Change in Assumptions OPEB	3,484
	Deferred inflows of resources - Projected vs actual investment earnings OPEB	(19,053)
	Deferred inflows of resources - Expected vs Actual Experience OPEB	(102,513)
	Deferred inflows of resources - Change in assumptions OPEB	<u>(28,592)</u>
		200,398
Internal Service Funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		<u>(893,186)</u>
Net position of governmental activities		<u>\$ (7,335,567)</u>

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

ACADEMY OF ADVANCED LEARNING

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	GENERAL FUND
REVENUES	
Local Sources	\$ 10,786,563
State Sources	629,786
Federal Sources	1,108,868
	<hr/>
TOTAL REVENUES	12,525,217
	<hr/>
EXPENDITURES	
Current	
Instruction	5,853,461
Supporting Services	7,347,703
Debt Service	
Principal	323,290
Interest	37,943
	<hr/>
TOTAL EXPENDITURES	13,562,397
	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,037,180)
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers In	365,000
	<hr/>
NET CHANGE IN FUND BALANCES	(672,180)
	<hr/>
FUND BALANCES, Beginning	2,588,865
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FUND BALANCES, Ending	\$ 1,916,685
	<hr/> <hr/>

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

ACADEMY OF ADVANCED LEARNING

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (672,180)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Outlay	205,047	
Depreciation	<u>(217,427)</u>	(12,380)

Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.

Debt Principal Payments	323,290	
Changes in Accrued Interest Payable	<u>13,709</u>	336,999

The Internal Service Fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the Internal Service Fund is reported with the governmental activities.

(893,186)

Some revenues reported in the statement of activities do not provide current financial resources and are not reported in the governmental funds.

PPP Loan Forgiveness		911,523
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Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide statements those amounts are capitalized and amortized.

Deferred charges related to Pension Plan	439,920	
Deferred charges related to OPEB	<u>(67,789)</u>	<u>372,131</u>

Change in net position of governmental activities

\$ 42,907

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

ACADEMY OF ADVANCED LEARNING

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2021

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Current Assets	
Restricted Cash and Investments	<u>\$ 324,949</u>
Total Current Assets	<u>324,949</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	-
Capital Assets, Net of Accumulated Depreciation	<u>7,384,051</u>
Total Noncurrent Assets	<u>7,384,051</u>
TOTAL ASSETS	<u>7,709,000</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	-
Accrued Interest Payable	47,186
Bonds Payable, Current Portion	<u>-</u>
Total Current Liabilities	<u>47,186</u>
Noncurrent Liabilities	
Bonds Payable	<u>8,555,000</u>
Total Noncurrent Liabilities	<u>8,555,000</u>
TOTAL LIABILITIES	<u>8,602,186</u>
NET POSITION	
Net Investment in Capital Assets	(846,000)
Unrestricted	<u>(47,186)</u>
TOTAL NET POSITION	<u>\$ (893,186)</u>

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

ACADEMY OF ADVANCED LEARNING
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Rent Income	\$ 333,515
Other Revenues	-
TOTAL OPERATING REVENUES	333,515
OPERATING EXPENSES	
Purchased Services	258,190
Depreciation	254,622
TOTAL OPERATING EXPENSES	512,812
NET OPERATING INCOME (LOSS)	(179,297)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on Investments	388
Interest Expense	(349,277)
Transfer to General Fund	(365,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(713,889)
CHANGE IN NET POSITION	(893,186)
NET POSITION, Beginning	-
NET POSITION, Ending	\$ (893,186)

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

ACADEMY OF ADVANCED LEARNING

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2021
 Increase (Decrease) in Cash and Cash Equivalents

	Governmental Activities
	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	\$ 333,515
Cash Paid to Suppliers	(258,190)
Net Cash Provided by Operating Activities	<u>75,325</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Payments to/from Other Funds	(365,000)
Net Cash Used by Noncapital Financing Activities	<u>(365,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(7,638,673)
Proceeds from Debt Issuance	8,555,000
Interest Payments	(302,091)
Net Cash Provided by Capital Financing Activities	<u>614,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>388</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	324,949
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 324,949</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (179,297)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	254,622
Total Adjustments	<u>254,622</u>
Net Cash Provided by Operating Activities	<u>\$ 75,325</u>

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

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy of Advanced Learning (the “School”) was formed in 2016 pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2016, the School entered into a contract with the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado (the “Aurora Public School District” or the “District”) pursuant to the Colorado Charter School Act, for an initial term of five years. The current contract expires on June 30, 2022.

The accounting policies of the School conform with generally accepted accounting principles as applicable to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principals. Following is a summary of the more significant policies:

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the School and organizations for which the School is financially accountable. It is also financially accountable for legally separate organizations if the School’s officials appoint a voting majority for the organization’s governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School. The School may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the School includes the following organization within its reporting entity:

Third Future Schools Building Corporation and Blackhawk Building Corporation

The Third Future Schools Building Corporation and the Blackhawk Building Corporation (the “Corporations”), blended component units, were formed to support the School to perform its function and to carry out its purpose, specifically to provide a mechanism to issue debt on behalf of the School. The Corporations are considered to be part of the School for financial reporting purposes because their resources are entirely for the benefit of the School. The activities of the Corporations are reported in the School’s financial statements as an internal service fund. Separate financial statements are not available for the Corporations.

The School is a component unit of the Aurora Public School District.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. 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.

The statement of net position reports all financial, capital and debt resources of the School. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the School is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 School.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

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

In addition, the School reports the following fund type:

The *Internal Service Fund* accounts for the activities of the Third Future Schools Building Corporation.

Assets, Liabilities, and Fund Balance/Net Position

Deposits and Investments – For purposes of the statement of cash flows, the School considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Balance/Net Position (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 Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Property and equipment of the School is depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	15-30 years
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Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Accrued Salaries and Benefits – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$868,681. The accrued compensation is reported as a liability in the General Fund.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 current expenditures.

Compensated Absences – The School’s policy allows employees to accumulate paid time off. Employees who resign or terminate employment will be paid for their unused paid time off up to a maximum of 8 days provide they have completed five of more years of service to the School. At June 30, 2021, no liability has been accrued for these compensated absences.

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

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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 used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School reports deposits as nonspendable at June 30, 2021.
- 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 School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- 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 School did not have any committed resources as of June 30, 2021.
- Assigned – This classification includes spendable fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. The School did not have any assigned resources as of June 30, 2021.
- 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 fund balance.

Risk Management

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The School purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

Income Taxes

The School is a tax-exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The School's tax filings are subject to audit by various taxing authorities. The School believes it has no significant uncertain tax provisions for the year ended June 30, 2021.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The School has evaluated events subsequent to the year ended June 30, 2021 through October 4, 2021, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing 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 to the budget must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year-end.

State Compliance

At June 30, 2021, the actual expenditures in the General Fund exceeded budgeted amounts by \$1,982,026. This may be a violation of state statute.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2021 cash and investments consist of the following:

Deposits	\$2,323,559
Investments	<u>374,949</u>
Total	<u>\$2,698,508</u>

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: **CASH AND INVESTMENTS** (Continued)

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, 2021 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.

At June 30, 2021, the School had deposits with financial institutions with a carrying amount of \$2,323,559. The bank balances with the financial institutions were \$2,333,012. Of these balances, \$250,000 was covered by federal depository insurance and \$2,083,012 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Custodial Risk

The Academy has no policy regarding custodial credit risk for deposits.

Investments

Interest Rate Risk

The School 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.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The School does not have a formal investment policy to limit credit risk. However, the School follows state statutes regarding investments.

Local Government Investment Pools

The School has invested \$50,000 in the Colorado Government Liquid Asset Trust (ColoTrust) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. The Trust operates similar to a money market fund and each share is equal in value to \$1.00. ColoTrust is an external investment pool that records its investments at fair value. The School records its investment in ColoTrust using the net asset value method. ColoTrust is rated AAAM by Standard and Poor's. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments (Continued)

Local Government Investment Pools (Continued)

The School has invested \$324,949 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to \$1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

CSAFE is rated AAAM by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pools. Investments of the pools comply with state statutes, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

Restricted Cash and Investments

At June 30, 2021, the School had deposits in the amount of \$50,000 that are restricted to comply with the charter contract with the District. These deposits are maintained by the District in a segregated account in the amount of \$100,000 which is equally funded by the two parties. The account is restricted to be used to respond to special education due process and Section 504 hearing requests.

At June 30, 2021, cash and Investments in the amount of \$324,949 are restricted in the Internal Service Fund for debt service and capital projects requirements.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 4: CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2021 is summarized below:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Governmental Activities				
Capital Asset, Being				
Depreciated				
Buildings and Improvements	3,031,720	7,638,673	-	10,670,393
Leasehold Improvements	-	192,726	-	192,726
Equipment	-	12,321	-	12,321
Total Capital Assets, Being Depreciated	3,031,720	7,843,720	-	10,875,440
Accumulated Depreciation				
Buildings and Improvements	522,251	254,622	-	776,873
Leasehold Improvements	-	214,963	-	214,963
Equipment	-	2,464	-	2,464
Total Depreciation	522,251	472,049	-	994,300
Total Capital Assets, Being Depreciated, Net	2,509,469	7,371,671	-	9,881,140
Net Capital Assets	<u>\$ 2,509,469</u>	<u>\$ 7,371,671</u>	<u>\$ -</u>	<u>\$ 9,881,140</u>

Depreciation has been charged to the Supporting Services program of the School.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 5: LONG-TERM DEBT

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2021:

	Balance 6/30/2020	Additions	Payments	Balance 6/30/2021	Due In One Year
Series 2020 Charter School Bonds	\$ -	\$ 8,555,000	\$ -	\$ 8,555,000	\$ -
Note Payable - PPP	911,523	-	911,523	-	-
Note Payable - Related Parties	155,000	-	155,000	-	-
Note Payable - CFS	125,000	-	125,000	-	-
Note Payable - CSDC	356,851	-	43,290	313,561	45,667
Net Pension Liability	9,241,471	3,604,532	-	12,846,003	-
Net OPEB Liability	454,226	12,064	-	466,290	-
Total	\$ 11,244,071	\$ 12,171,596	\$ 1,234,813	\$ 22,180,854	\$ 45,667

Series 2020 Charter School Revenue Bonds

On August 13, 2020, the Colorado Educational and Cultural Facilities Authority ("CECFA") issued Charter School Revenue Bonds, Series 2020A in the amount of \$8,420,000 and Series 2020B in the amount of \$135,000. Proceeds of the bonds were used to purchase the School's facility and to make capital improvements. The School is required to make lease payments to the Corporation for the use of the building and the Corporation is required to make equal payments to the Trustee, for payment of the bonds.

The Series 2020A bonds carry an interest rate of 4.375% and the Series 2020B bonds carry an interest rate of 6.75%. Semi-annual interest payments are due on December 1 and June 1. Annual principal payments are due on June 1 beginning on June 1, 2024 through 2026. A final balloon payment in the amount of the then outstanding principal balance and all accrued interest is due on June 1, 2027.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Series 2020 Charter School Revenue Bonds (Continued)

Bond maturing on June 1, 2025 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The Corporation is required to deposit funds into the bond principal fund and bond interest fund sufficient to redeem the principal and interest amounts when due.

Bond maturing on June 1, 2027 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The Corporation is required to deposit funds into the bond principal fund and bond interest fund sufficient to redeem the principal and interest amounts when due.

Future debt service requirements on the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 377,488	\$ 377,488
2023	-	377,488	377,488
2024	125,000	377,488	502,488
2025	135,000	369,050	504,050
2026	140,000	362,906	502,906
2027-2030	<u>8,155,000</u>	<u>356,782</u>	<u>8,511,782</u>
Total	<u>\$ 8,555,000</u>	<u>\$ 2,221,202</u>	<u>\$ 10,776,202</u>

PPP Loan Payable

On May 15, 2020, the School received a loan in the amount of \$911,523 through the Small Business Administration’s Paycheck Protection Program under Division A, Title I of the Coronavirus Aid Relief and Economic Security Act (the “CARES Act”).

On April 30, 2021, the School was notified by the Small Business Administration that the loan principal balance of \$911,523 has been fully forgiven. The amount of the loan forgiveness is reported as a special item in the School’s statement of activities.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Notes Payable – Related Parties

In May 2017, the School entered into a promissory note payable with the CEO in the amount of \$205,000. The note carried interest rate of 3 percent and payments of principal and interest were due on May 5, 2021 and May 5, 2022. During the year ended June 30, 2021, the note was paid in full.

Note Payable CFS

In May 2018, the School entered into a loan agreement with Charter Facility Solutions in the amount of \$250,000. The note carried an interest rate of 3.50 percent. Principal payments of \$125,000 plus accrued interest were due annually beginning in August 2019. During the year ended June 30, 2021, the note was paid in full.

Note Payable CSDC

In June 2017, the School entered into a loan agreement with the Charter Schools Development Corporation (“CSDC”) in the amount of \$700,000. Proceeds of the loan were used to make necessary improvements on the Academy’s facility. The note carries an interest rate of 6.25%. Monthly principal and interest payments in the amount of \$5,067 are due through August 2023.

Future debt service requirements on the note are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 45,667	\$ 15,139	\$ 60,806
2023	267,894	2,772	270,666
Total	<u>\$ 313,561</u>	<u>\$ 17,911</u>	<u>\$ 331,472</u>

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2021: Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

**Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$962,528 for the year ended June 30, 2021.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the SCHDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the School reported a liability of \$12,846,003 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$12,846,003
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	\$ -
Total	\$12,846,003

At December 31, 2020, the School's proportion was 0.08497 percent, which was an increase of 0.02311 from its proportion measured as of December 31, 2019.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the School recognized pension expense of (\$439,920) and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual	\$705,824	N/A
Changes of assumptions or other inputs	\$1,235,746	\$2,159,304
Net difference between projected and actual earnings on pension plan investments	N/A	\$2,827,697
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$5,154,265	N/A
Contributions subsequent to the measurement	\$460,467	N/A
Total	\$7,556,302	\$4,987,001

\$460,467 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$293,302
2023	\$2,043,392
2024	\$218,223
2025	(\$446,083)

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%–9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded PERA benefit structure hired after	1.25%
	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded PERA benefit structure hired after 12/31/06 ¹)	1.25%
	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$17,523,000	\$12,846,003	\$8,948,523

Pension plan fiduciary net position. Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. The School participates The School in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$49,385 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the School reported a liability of \$466,290 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was 0.04907 percent, which was an increase of 0.00866 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$67,791. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,238	\$102,513
Changes of assumptions or other inputs	\$3,484	\$28,592
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$19,053
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$322,208	N/A
Contributions subsequent to the measurement date	\$23,626	N/A
Total	\$350,556	\$150,158

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$26,626 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$70,906
2023	\$73,572
2024	\$21,248
2025	\$3,977
2026	\$6,604
Thereafter	\$465

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Medicare Plan	Initial Costs for Members without Medicare Part A		Monthly Cost Adjusted
	Monthly Cost	Monthly Premium	
Medicare Advantage/Self-Insured Kaiser Permanente	\$588	\$227	\$550
Medicare Advantage	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare	Medicare Part A
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare	7.10%	8.10%	9.10%
Ultimate PERACare	3.50%	4.50%	5.50%
Initial Medicare Part	2.50%	3.50%	4.50%
Ultimate Medicare	3.50%	4.50%	5.50%
Net OPEB Liability	\$454,238	\$466,290	\$480,320

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF’s FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$534,143	\$466,290	\$408,314

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 8: INTERFUND BALANCES AND TRANSFERS

During the year ended June 30, 2021 the Building Corporation transferred \$365,000 to the General Fund to reimburse that fund for expenditures paid on behalf of the Building Corporation.

NOTE 9: RELATED PARTY TRANSACTIONS

The School is a member of the Third Future Schools Network (“TFS” or the “Network”)

For the year ended June 30, 2021, the Network included the following locations:

TFS – Academy of Advanced Learning

TFS – Coperni 2

TFS – Coperni 3

At June 30, 2021, Coperni 2 and Coperni 3 owed \$71,524 and \$248,962 to the Network, respectively. These amounts were loaned to the schools in prior year to provide additional funding for operations. These amounts are reported as due from other schools on the General Fund balance sheet.

During the year ended June 30, 2021 the Network Board of Directors agreed to partially forgive outstanding receivables balances to Coperni 2 and Coperni 3 in the amount of \$695,217 and \$694,020, respectively.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Leases

The School entered into a lease agreement with PTT Properties, LLC (the “Landlord”) for the School’s building and surrounding land. The School is required to make monthly lease payments ranging from \$32,184 to \$72,814 to the Landlord through June 30, 2032.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 10: COMMITMENTS AND CONTINGENCIES

Leases (Continued)

In July, 2020, the School entered into a lease agreement for an additional property with 1556 Investments LLC. The School is required to make monthly lease payments ranging from \$35,484 to \$51,097 to 1556 Investments LLC through June 30, 2032.

Estimated future lease payments are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 1,144,806
2023	1,215,203
2024	1,252,431
2025	1,275,548
2026	1,285,980
2027-2031	6,765,339
2032	<u>1,393,194</u>
Total	<u>\$14,332,501</u>

Lease expense for the year ended June 30, 2021 was \$925,239.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental 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 School may be required to reimburse the grantor government. As of June 30, 2021 significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 10: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

The Tabor Amendment is complex and subject to judicial interpretations. The School believes it has complied with the Amendment.

The School has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2021, the emergency reserve of \$318,016 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 11: **DEFICIT NET POSITION**

At June 30, 2021, the net position of the governmental activities is in a deficit position in the amount of \$7,335,567 due to the School including its Net Pension and Net OPEB liabilities per requirements of GASB No. 68 and No.75.

At June 30, 2021, the net position of the Internal Service Fund is in a deficit position in the amount of \$893,186. The deficit is a result of the capital assets depreciating faster than the principal balance of the related debt is paid. Management expects this deficit to be eliminated once the School makes annual principal payments on its debt.

NOTE 12: **RESTATEMENT OF BEGINNING BALANCES**

The beginning net position balance of the statement of activities was decreased by \$632,577 to correctly state the School's change in proportionate share of its net pension liability.

ACADEMY OF ADVANCED LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 13: SUBSEQUENT EVENT

As a result of the coronavirus pandemic, economic uncertainties may continue to have a significant impact on the financial position, results of operations, and cashflows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY OF ADVANCED LEARNING

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 6,654,125	\$ 8,030,866	\$ 7,937,178	\$ (93,688)
Mill Levy Override	2,566,104	2,166,484	2,583,661	417,177
Contributions	-	177,829	200,768	22,939
Other	-	-	64,956	64,956
State Sources				
Capital Construction	376,465	277,814	279,567	1,753
Grants and Donations	-	160,382	350,219	189,837
Federal Sources				
Grants and Donations	69,674	1,000,147	1,108,868	108,721
TOTAL REVENUES	<u>9,666,368</u>	<u>11,813,522</u>	<u>12,525,217</u>	<u>711,695</u>
EXPENDITURES				
Current				
Salaries	4,408,368	5,169,202	5,042,998	126,204
Employee Benefits	1,428,711	1,615,151	1,438,320	176,831
Purchased Services	2,882,141	3,305,196	5,322,047	(2,016,851)
Supplies and Materials	352,600	651,746	654,874	(3,128)
Property	350,000	476,627	606,879	(130,252)
Other	349,305	42,418	136,046	(93,628)
Debt Service				
Principal	-	320,031	323,290	(3,259)
Interest	-	-	37,943	(37,943)
TOTAL EXPENDITURES	<u>9,771,125</u>	<u>11,580,371</u>	<u>13,562,397</u>	<u>(1,982,026)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,757)</u>	<u>233,151</u>	<u>(1,037,180)</u>	<u>(1,270,331)</u>
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(50,000)</u>	<u>(50,000)</u>	<u>365,000</u>	<u>415,000</u>
NET CHANGE IN FUND BALANCE	<u>(154,757)</u>	<u>183,151</u>	<u>(672,180)</u>	<u>(855,331)</u>
FUND BALANCE, Beginning	<u>1,595,971</u>	<u>1,397,635</u>	<u>2,588,865</u>	<u>1,191,230</u>
FUND BALANCE, Ending	<u>\$ 1,441,214</u>	<u>\$ 1,580,786</u>	<u>\$ 1,916,685</u>	<u>\$ 335,899</u>

See the accompanying independent auditor's report.

ACADEMY OF ADVANCED LEARNING

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the Net Pension Liability (Asset)	0.08497%	0.06185%	0.04972%	0.04435%
Proportionate Share of the Net Pension Liability (Asset)	\$12,846,003	\$9,241,471	\$8,804,440	\$14,342,116
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	<u>-</u>	<u>1,172,163</u>	<u>1,203,885</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability (Asset)	<u>12,846,003</u>	<u>10,413,634</u>	<u>10,008,325</u>	<u>14,342,116</u>
Covered payroll	\$ 4,537,866	\$3,633,643	\$2,733,527	\$ 1,022,971
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	283.1%	254.3%	322.1%	1402.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.99%	64.52%	57.01%	43.96%

NOTE: Information for the prior six years was not available for this report

See the accompanying independent auditor's report.

ACADEMY OF ADVANCED LEARNING
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 962,528	\$ 764,365	\$ 623,340	\$ 412,973
Contributions in Relation to the Contractually Required Contributions	<u>962,528</u>	<u>764,365</u>	<u>623,340</u>	<u>412,973</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$4,841,687	\$3,944,087	\$3,258,444	\$2,185,510
Contributions as a Percentage of Covered Payroll	19.88%	19.38%	19.13%	18.90%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditor's report.

ACADEMY OF ADVANCED LEARNING

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PERA HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the Net OPEB Liability (Asset)	0.04907%	0.04041%	0.03230%	0.02520%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 466,290	\$ 454,226	\$ 439,728	\$ 327,514
Covered payroll	\$ 4,537,866	\$ 3,633,643	\$ 2,733,527	\$1,022,971
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	10.28%	12.50%	16.09%	32.02%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	32.78%	24.49%	17.03%	17.53%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditor's report.

ACADEMY OF ADVANCED LEARNING
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 49,385	\$ 40,230	\$ 33,236	\$ 19,015
Contributions in Relation to the Contractually Required Contributions	<u>49,385</u>	<u>40,230</u>	<u>33,236</u>	<u>19,015</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$4,841,687	\$3,944,087	\$3,258,444	\$1,864,226
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

ACADEMY OF ADVANCED LEARNING

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	TFS NETWORK	AAL SCHOOL	TOTAL
ASSETS			
Cash and Investments	\$ 276,379	\$ 2,047,180	\$ 2,323,559
Restricted Cash and Investments	-	50,000	50,000
Accounts Receivable	570	340,859	341,429
Due From Other Funds	-	2,404,626	2,404,626
Due From Other Schools	-	320,486	320,486
Deposits	-	161,900	161,900
TOTAL ASSETS	<u><u>\$ 276,949</u></u>	<u><u>\$ 5,325,051</u></u>	<u><u>\$ 5,602,000</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	113,292	85,142	198,434
Accrued Salaries	185,402	683,279	868,681
Due to District	-	213,574	213,574
Due To Other Funds	2,404,626	-	2,404,626
TOTAL LIABILITIES	<u><u>2,703,320</u></u>	<u><u>981,995</u></u>	<u><u>3,685,315</u></u>
FUND BALANCES			
Nonspendable	-	161,900	161,900
Restricted for Emergencies	-	318,016	318,016
Unassigned	(2,426,371)	3,863,140	1,436,769
TOTAL FUND BALANCES	<u><u>(2,426,371)</u></u>	<u><u>4,343,056</u></u>	<u><u>1,916,685</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 276,949</u></u>	<u><u>\$ 5,325,051</u></u>	<u><u>\$ 5,602,000</u></u>

See the accompanying independent auditor's report.

ACADEMY OF ADVANCED LEARNING

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2021

	TFS <u>NETWORK</u>	AAL <u>SCHOOL</u>	<u>TOTAL</u>
REVENUES			
Local Sources			
Per Pupil Revenue	\$ -	\$ 7,937,178	\$ 7,937,178
Mill Levy Override	-	2,583,661	2,583,661
Contributions	165,097	35,671	200,768
Other	64,406	550	64,956
State and Federal Sources			
Grants and Donations	-	1,738,654	1,738,654
TOTAL REVENUES	<u>229,503</u>	<u>12,295,714</u>	<u>12,525,217</u>
EXPENDITURES			
Current			
Instruction	523,499	5,329,962	5,853,461
Supporting Services	1,835,397	5,512,306	7,347,703
Debt Service			
Principal	-	323,290	323,290
Interest	-	37,943	37,943
TOTAL EXPENDITURES	<u>2,358,896</u>	<u>11,203,501</u>	<u>13,562,397</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,129,393)</u>	<u>1,092,213</u>	<u>(1,037,180)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	54,432	365,000	419,432
Transfers Out	-	(54,432)	(54,432)
TOTAL OTHER FINANCING SOURCES (USES)	<u>54,432</u>	<u>310,568</u>	<u>365,000</u>
NET CHANGE IN FUND BALANCE	(2,074,961)	1,402,781	(672,180)
FUND BALANCE, Beginning	<u>(351,410)</u>	<u>2,940,275</u>	<u>2,588,865</u>
FUND BALANCE, Ending	<u>\$ (2,426,371)</u>	<u>\$ 4,343,056</u>	<u>\$ 1,916,685</u>

See the accompanying independent auditor's report.

COMPLIANCE



INDEPENDENT AUDITOR'S 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*

Board of Directors
Academy of Advanced Learning
Aurora, Colorado

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, each major fund, and the aggregate remaining fund information of the Academy of Advanced Learning (the "School") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School'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.

PB Solutions LLC

October 4, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Academy of Advanced Learning
Aurora, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Academy of Advanced Learning'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 the Academy of Advanced Learning's major federal programs for the year ended June 30, 2021. The Academy of Advanced Learning'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy of Advanced Learning'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 the audit 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). Those standards and the 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 the Academy of Advanced Learning'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 the Academy of Advanced Learning's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy of Advanced Learning 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, 2021.

Report on Internal Control over Compliance

Management of the Academy of Advanced Learning 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 the Academy of Advanced Learning'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 the 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 the Academy of Advanced Learning'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 a 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 over compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PB Solutions LLC

October 4, 2021

ACADEMY OF ADVANCED LEARNING
Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identification Number</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Treasury</u>			
<i>Passed-Through the Colorado Department of Education</i>			
Coronavirus Relief Fund	21.019	4012	\$ 596,710
Coronavirus Relief Fund	21.019	5012	87,537
Total U.S. Department of Treasury			<u>684,247</u>
<u>U. S. Department of Education</u>			
<i>Passed-Through the Colorado Department of Education</i>			
Teacher Quality Partnership Grants	84.336	4367	34,208
Student Support and Academic Enrichment Program	84.424	4424	14,943
Education Stabilization Fund	84.425	4420	151,714
Education Stabilization Fund	84.425	4525	138,263
Education Stabilization Fund	84.425	6425	<u>68,510</u>
Total U.S. Department of Education			<u>407,638</u>
Total Expenditures of Federal Awards			<u><u>\$1,091,885</u></u>

ACADEMY OF ADVANCED LEARNING
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the School. The schedule includes federally funded amounts of pass-through awards received by the School through the State of Colorado. The information in this schedule is presented in accordance with 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)*. Because the schedule represents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in position or cash flows of the School.
2. Amounts reported in the schedule are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met. Such expenditures are recognized following, as applicable, either the cost principal contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursements. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of, the basic financial statements or reports to federal agencies and pass-through grantors. The School has elected not to use the de minimis 10 percent indirect cost rate allowed under the Uniform Guidance.
3. During the year ended June 30, 2021, the School did not pass through any federal funds to subrecipients.
4. For federal awards expended by the School as a subrecipient, the schedule includes identification of the pass-through grantor and the identifying number assigned to the grant by the pass-through grantor.

ACADEMY OF ADVANCED LEARNING
Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was: Unmodified
2. The independent auditor's report on internal control over financial reported disclosed:

Significant deficiency(ies)? Yes None Reported
Material weakness(es)? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit: Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None Reported
Material weakness(es)? Yes No
5. The opinions expressed in the independent auditor's report on compliance for major federal award programs were: Unmodified
6. The audit disclosed findings required to be reported by section 2 CFR §200.516(a)? Yes No
7. The Organization's major programs were:

<u>Name of federal program</u>	<u>CDFA Number</u>
Coronavirus Relief Funds	21.019
8. Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000
9. The Organization qualified as low-risk auditee: Yes No

ACADEMY OF ADVANCED LEARNING
Schedule Findings and Questioned Costs

For the year ended June 30, 2021

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings

No findings noted.