

CHARTERCHOICE COLLABORATIVE (SFA)

BASIC FINANCIAL STATEMENTS

June 30, 2021

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FINANCIAL SECTION

Board of Directors
CharterChoice Collaborative (SFA)
Denver, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of CharterChoice Collaborative (SFA) , as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the CharterChoice Collaborative (SFA), 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 and the budgetary comparison information on pages 16-17 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 CharterChoice Collaborative (SFA)'s basic financial statements. The Auditor's Integrity Report and 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) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Auditor's Integrity Report 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 Auditor's Integrity Report and the schedule of expenditures of federal awards are 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 November 16, 2021, on our consideration of CharterChoice Collaborative (SFA)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 CharterChoice Collaborative (SFA)'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 CharterChoice Collaborative (SFA)'s internal control over financial reporting and compliance.

PB Solutions LLC

November 16, 2021

CharterChoice Collaborative Management Discussion and Analysis

As management of the CharterChoice Collaborative (CCC or the Collaborative), we offer readers of the CharterChoice Collaborative's financial statements our narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2021.

Financial Highlights

The year ended June 30, 2021 is the eighth year of operations for CCC acting as a School Food Authority (SFA) under the National School Lunch Program. As of June 30, 2021, net position increased by \$294,109 to \$393,276.

The operations of the Collaborative are funded primarily by state and federal grants. Such revenue for the year was \$3,444,119. At the close of the fiscal year, the CharterChoice Collaborative's governmental funds reported an ending fund balance of \$393,276, an increase of \$262,438 from prior year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the Collaborative supported primarily by state and federal revenue from participating schools. The governmental activities of the Collaborative include supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Collaborative, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Collaborative's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Collaborative adopts annually appropriated budgets for both funds. A budgetary comparison schedule for both governmental funds has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-15.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Collaborative's financial position. In the case of the CharterChoice Collaborative, assets exceeded liabilities resulting in a net position of \$393,276 in FY 2020-2021. Of the Collaborative's total net position, \$5,500 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the Collaborative's general operating expenses.

CharterChoice Collaborative's Net Position Governmental Activities

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 167,691	\$ 106,059
Accounts Receivable	1,156,420	159,693
Total Assets	1,324,111	265,752
LIABILITIES		
Current Liabilities		
Accounts Payable	926,764	130,996
Accrued Expenses	4,071	3,918
Noncurrent Liabilities		
Due in More Than One Year	-	31,671
Total Liabilities	930,835	166,585
NET POSITION		
Restricted for Emergencies	5,500	5,500
Unrestricted	387,776	93,667
Total Net Position	\$ 393,276	\$ 99,167

The largest portion of the Collaborative's assets is in accounts receivable, at 87% of total assets in 2021.

**CharterChoice Collaborative’s Change in Net Position
Governmental Activities**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Program Revenue:		
Charges for Services	\$ 194,519	\$ 480,269
Operating Grants and Contributions	3,444,119	2,043,065
Capital Contributions	-	7,239
Total Program Revenue	3,638,638	2,530,573
General Revenue:		
Other	45,376	383,760
SPECIAL ITEM: PPP Loan Forgiveness	31,671	-
Total General Revenue	77,047	383,760
Total Revenue	3,715,685	2,914,333
Expenses:		
Supporting Services	3,421,576	2,901,705
Total Expenses	3,421,576	2,901,705
Increase/(Decrease) in Net Position	294,109	12,628
Net Position, Beginning	99,167	86,539
Net Position, Ending	\$ 393,276	\$ 99,167

The largest portion of the Collaborative’s revenues came from operating grants and contributions – 93%, respectively in 2021.

Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the Collaborative's General Fund reported an ending fund balance of \$393,276, an increase of \$262,438 from prior year. The Collaborative's School Food Authority reported an ending fund balance of \$0, a \$0 change from prior year.

Budgetary Highlights

The Collaborative approves a budget annually based on projections for the school year. Budget amendments may occur during the year based on the number of schools participating in the National School Lunch Program through the Collaborative or based on grants received to expand programs. At year-end, the Collaborative had some variances between its final budgeted and actual activities. The Collaborative recognized \$273,273 more revenue than expected and spent \$58,154 less than planned, when compared to the final General Fund budget. The Collaborative recognized \$464,943 less revenue than expected and spent \$464,943 less than planned, when compared to the final School Food Authority budget.

Capital Assets & Long-Term Debt

The Collaborative has no capital assets.

At the close of FY 2019-2020 the Collaborative had a loan through the Small Business Administration's Paycheck Protection Program (PPP). The full amount of the loan was forgiven during FY 2020-2021.

Economic Factors and Next Year's Budget

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

Requests for Information

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

CharterChoice Collaborative
2696 S Colorado Blvd, Suite 581
Denver, CO 80222

BASIC FINANCIAL STATEMENTS

CHARTERCHOICE COLLABORATIVE (SFA)

STATEMENT OF NET POSITION

As of June 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 167,691
Accounts Receivable	<u>1,156,420</u>
TOTAL ASSETS	<u>1,324,111</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	926,764
Accrued Expenses	<u>4,071</u>
TOTAL LIABILITIES	<u>930,835</u>
NET POSITION	
Restricted for Emergencies	5,500
Unrestricted	<u>387,776</u>
TOTAL NET POSITION	<u>\$ 393,276</u>

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

CHARTERCHOICE COLLABORATIVE (SFA)

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
PRIMARY GOVERNMENT					GOVERNMENTAL ACTIVITIES
Governmental Activities					
Instructional	\$ -	\$ -	\$ -	\$ -	\$ -
Supporting Services	3,421,576	194,519	3,444,119	-	217,062
Total Governmental Activities	\$ 3,421,576	\$ 194,519	\$ 3,444,119	\$ -	217,062
			GENERAL REVENUES		
			Other		45,376
			SPECIAL ITEM		
			PPP Loan forgiveness		31,671
			TOTAL GENERAL REVENUES		77,047
			CHANGE IN NET POSITION		294,109
			NET POSITION, Beginning		99,167
			NET POSITION, Ending		\$ 393,276

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

CHARTERCHOICE COLLABORATIVE (SFA)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$ 167,691	\$ -	\$ 167,691
Accounts Receivable	229,656	926,764	1,156,420
TOTAL ASSETS	<u>\$ 397,347</u>	<u>\$ 926,764</u>	<u>\$ 1,324,111</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 926,764	\$ 926,764
Accrued Expenses	4,071	-	4,071
TOTAL LIABILITIES	<u>4,071</u>	<u>926,764</u>	<u>930,835</u>
FUND BALANCES			
Restricted for Emergencies	5,500	-	5,500
Unassigned	387,776	-	387,776
TOTAL FUND BALANCES	<u>393,276</u>	<u>-</u>	<u>393,276</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 397,347</u>	<u>\$ 926,764</u>	<u>\$ 1,324,111</u>

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

CHARTERCHOICE COLLABORATIVE (SFA)

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

	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 240,815	\$ 59,580	\$ 300,395
State Sources	22,803	-	22,803
Federal Sources	201,326	3,159,490	3,360,816
	<u>464,944</u>	<u>3,219,070</u>	<u>3,684,014</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Supporting Services	202,506	3,219,070	3,421,576
	<u>202,506</u>	<u>3,219,070</u>	<u>3,421,576</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	262,438	-	262,438
FUND BALANCES, Beginning	130,838	-	130,838
FUND BALANCES, Ending	<u>\$ 393,276</u>	<u>\$ -</u>	<u>\$ 393,276</u>

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

CHARTERCHOICE COLLABORATIVE (SFA)

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	\$ 262,438
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	<u>31,671</u>
Change in net position of governmental activities	<u>\$ 294,109</u>

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

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the Collaborative conform 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 principles. 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 Collaborative and organizations for which the Collaborative is financially accountable. It is also financially accountable for legally separate organizations if the Collaborative’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 Collaborative. The Collaborative may also be financially accountable for organizations that are fiscally dependent upon it.

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

School Food Authority

The Collaborative has entered into an agreement with the Colorado Department of Education (CDE) to act as a School Food Authority (SFA) for several charter schools. Federal funds were dispersed to the Authority based upon meals served at each school and counts submitted to CDE. The Collaborative is the reporting vehicle so that charter schools could participate in the Child Nutrition Programs. Participating charter schools maintain revenues and expenses at their sites, on behalf of the SFA. The activities of the SFA are reported as a special revenue fund in the Collaborative’s financial statements. Separate financial statements are not available.

CHARTERCHOICE COLLABORATIVE (SFA)

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 Collaborative. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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

CHARTERCHOICE COLLABORATIVE (SFA)

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 Collaborative 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 Collaborative.

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 Collaborative's practice to use restricted resources first, then unrestricted resources as they are needed.

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

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

The *School Food Authority (SFA)* accounts for the activities associated with the Collaborative's SFA.

Assets, Liabilities, and Fund Balance/Net Position

Deposits and Investments – For purposes of the statement of cash flows, the Collaborative 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.

CHARTERCHOICE COLLABORATIVE (SFA)

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.

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Compensated Absences – The Collaborative’s policy allows employees to earn and accumulated leave of absence during the year. Employees who resign or terminate employment are entitled to payment for their unused personal leave of absence days. At June 30, 2021, no material amounts of unused paid leave of absence time were accrued. Therefore, no liability is recorded in the Collaborative’s government-wide statement of net position.

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

Investment in Capital Assets is intended to reflect the portion of net position which is 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. For the year ended June 30, 2021, the Collaborative does not report any investments in capital assets.

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 Collaborative management may have categorized and segmented portion for various purposes, the Collaborative Board has the unrestricted right to revisit or alter these managerial decisions.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- 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 Collaborative does not report any nonspendable fund balances 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 Collaborative has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Collaborative did not have any committed resources as of June 30, 2021.
- Assigned – This classification includes spendable fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted nor committed. The Collaborative 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.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

Concentration of Risk

The Collaborative receives a substantial amount of its support from its participating charter school members and from the U.S. Department of Agriculture. Should a significant reduction in the level of support occur, this may have an effect on the Collaborative's programs and activities.

Risk Management

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

Income Taxes

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

Subsequent Events

The Collaborative has evaluated events subsequent to the year ended June 30, 2021 through November 16, 2021, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

A budget is adopted for the General Fund and Food Service Authority (SFA) 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.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2021 State regulatory commissioners have indicated that all financial institutions holding deposits for the Collaborative 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 Collaborative had deposits with financial institutions with a carrying amount of \$167,691. The bank balances with the financial institutions were \$152,118. All of these balances were covered by federal depository insurance.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Investments

Interest Rate Risk

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

Credit Risk

Colorado statutes specify in which instruments 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 Collaborative does not have a formal investment policy to limit credit risk. However, the Collaborative follows state statutes regarding investments.

The Collaborative reports no investments as of June 30, 2021.

NOTE 4: **LOAN PAYABLE**

PPP Loan Payable

In May 2020, the Collaborative entered into a loan agreement with Wells Fargo Bank to receive funding under the Paycheck Protection Program (PPP). As part of the Coronavirus Relief Effort, the Small Business Administration (SBA) has provided PPP funds to small businesses to keep workers on the payroll. The Collaborative applied and received \$31,671 under this program.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 4: **LOAN PAYABLE** (Continued)

The loan carried an interest rate of 1% which started accruing when the funds were made available to the Collaborative. During the year ended June 30, 2021 the Collaborative applied and received loan forgiveness in the full amount of the loan. The loan forgiveness is reported as a special item in the Collaborative's government-wide statement of activities.

NOTE 5: **COMMITMENTS AND CONTINGENCIES**

Claims and Judgments

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

Operating Lease

In January 2020 the Collaborative entered into a sublease agreement for its office space. The subleased premises consist of a front office space located in Denver, Colorado. The lease requires a monthly payment of \$450 to the sublandlord and expires on December 1, 2024. In addition to the monthly lease payment, the Collaborative is also responsible for paying a portion of the cost of the internet service and common area maintenance (CAM).

For the year ended June 30, 2021, the Collaborative paid \$5,400 in lease payments and \$600 for internet services under the terms of the agreement.

CHARTERCHOICE COLLABORATIVE (SFA)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 5: **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 Collaborative believes it has complied with the Amendment.

The Collaborative has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2021, the emergency reserve of \$5,500 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 6: **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 Collaborative. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTERCHOICE COLLABORATIVE (SFA)

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES					
Local Sources					
Charges for Services	\$ 142,000	\$ 142,000	\$ 180,308	\$ 38,308	\$ 160,274
Grants and Contributions	-	-	60,500	60,500	21,256
Miscellaneous	-	-	7	7	21,256
State Sources					
Grants and Contributions	18,000	18,000	22,803	4,803	22,611
Federal Sources					
Grants and Contributions	31,671	31,671	201,326	169,655	7,239
TOTAL REVENUES	191,671	191,671	464,944	273,273	232,636
EXPENDITURES					
Current					
Salaries	160,000	160,000	146,050	13,950	146,535
Employee Benefits	-	-	10,180	(10,180)	9,983
Purchased Services	34,460	34,460	30,807	3,653	31,535
Supplies and Materials	1,200	1,200	790	410	956
Property	-	-	-	-	7,239
Other	500	65,000	14,679	50,321	2,504
TOTAL EXPENDITURES	196,160	260,660	202,506	58,154	198,752
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,489)	(68,989)	262,438	331,427	33,884
OTHER FINANCING SOURCES					
Proceeds from PPP Loan	-	-	-	-	31,671
CHANGE IN FUND BALANCE	(4,489)	(68,989)	262,438	331,427	65,555
FUND BALANCE, Beginning	105,000	105,000	130,838	25,838	86,539
FUND BALANCE, Ending	\$ 100,511	\$ 36,011	\$ 393,276	\$ 357,265	\$ 152,094

See the accompanying independent auditor's report

CHARTERCHOICE COLLABORATIVE (SFA)

BUDGETARY COMPARISON SCHEDULE
 SCHOOL FOOD AUTHORITY
 Year Ended June 30, 2021

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES				
Local Sources				
Charges for Services	\$ -	\$ 14,211	\$ 14,211	\$ 319,995
Miscellaneous	-	45,369	45,369	362,504
State Sources				
Grants and Donations	-	-	-	27,422
Federal Sources				
Grants and Donations	3,684,013	3,159,490	(524,523)	1,993,032
TOTAL REVENUES	<u>3,684,013</u>	<u>3,219,070</u>	<u>(464,943)</u>	<u>2,702,953</u>
EXPENDITURES				
Current				
Salaries	-	332,297	(332,297)	131,037
Employee Benefits	-	25,530	(25,530)	18,798
Supplies and Materials	3,684,013	2,634,230	1,049,783	2,384,734
Property	-	44,333	(44,333)	78,808
Other	-	182,680	(182,680)	89,576
TOTAL EXPENDITURES	<u>3,684,013</u>	<u>3,219,070</u>	<u>464,943</u>	<u>2,702,953</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditor's report.

AUDITOR'S INTEGRITY REPORT



Colorado Department of Education
Auditors Integrity Report
 District: 8042 – Charter Choice Collaborative
 Fiscal Year 2020-21
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental						
10 General Fund	130,838		464,944	202,506		393,276
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
Sub-Total	130,838		464,944	202,506		393,276
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	0		0	0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
07 Total Program Reserve Fund	0		0	0		0
21 Food Service Spec Revenue Fund	0		3,219,070	3,219,070		0
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	0		0	0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
Totals	130,838		3,684,014	3,421,576		393,276
Proprietary						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
Totals	0		0	0		0
Fiduciary						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	0		0	0		0
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
Totals	0		0	0		0
FINAL						0

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
CharterChoice Collaborative (SFA)
Denver, 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 and each major fund, of CharterChoice Collaborative (SFA), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CharterChoice Collaborative (SFA)'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 CharterChoice Collaborative (SFA)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PB Solutions LLC

Prospective Business Solutions, LLC
Littleton, Colorado
November 16, 2021

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

To the Board of Directors
CharterChoice Collaborative (SFA)
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the CharterChoice Collaborative (SFA)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CharterChoice Collaborative (SFA)'s major federal programs for the year ended June 30, 2021. The CharterChoice Collaborative (SFA)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 CharterChoice Collaborative (SFA)'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 CharterChoice Collaborative (SFA)'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the CharterChoice Collaborative (SFA) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the CharterChoice Collaborative (SFA) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CharterChoice Collaborative (SFA)'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 CharterChoice Collaborative (SFA)'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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

Prospective Business Solutions LLC
Littleton, Colorado
November 16, 2021

CHARTERCHOICE COLLABORATIVE (SFA)
Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title		Federal CFDA Number	Pass-Through Entity's Identification Number	Total Federal Expenditures
<u>U. S. Department of Agriculture</u>				
<i>Passed-Through the Colorado Department of Education</i>				
National School Breakfast Program	(1)	10.553	4553	\$ -
National School Lunch Program	(1)	10.555	4555	417,598
Summer Food Service Program	(1)	10.559	4559	2,480,590
Child Nutrition Discretionary Grants	(1)	10.579	None	7,998
 <i>Passed-Through the Colorado Department for Public Health and Environment</i>				
Child and Adult Care Food Program		10.558	4558	315,578
Federal Fresh Fruit and Vegetable Program		10.582	4582	8,681
 <i>Passed-Through the Colorado Department of Human Services Food Distribution</i>				
Commodity Supplemental Food Program	(1)	10.555	none	<u>130,371</u>
Total U.S. Department of Agriculture				<u>3,360,816</u>
Total Expenditures of Federal Awards				<u>\$ 3,360,816</u>
(1) Part of the Child Nutrition Cluster, total Cluster expenditures		\$ 3,036,557		

CHARTERCHOICE COLLABORATIVE (SFA)
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 Collaborative. The Schedule includes federally funded amounts of pass-through awards received by the Collaborative through the State of Colorado. The information 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 Collaborative, it is not intended to and does not present the financial position, changes in position or cash flows of the Collaborative.
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 Collaborative 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 Collaborative did not pass through any federal funds to subrecipients.
4. For federal awards expended by the Collaborative 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.
5. Commodities donated to the Organization by the U.S. Department of Agriculture (USDA) are valued based on the USDA's Donated Commodity Price List. The commodities are recognized as revenue when received. The commodities are reported under the National School Lunch Program (CFDA 10.555) on the Schedule. The Organization recognized noncash awards of \$130,371 for the year ended June 30, 2021.

CHARTERCHOICE COLLABORATIVE (SFA)
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.