

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE
FOUNDATION**

**Financial Statements with
Accompanying Independent
Auditors' Report**

June 30, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7 - 14



INDEPENDENT AUDITORS' REPORT

Board of Directors
School District 27J Capital Facility Fee Foundation
Brighton, Colorado

Opinion

We have audited the accompanying financial statements of School District 27J Capital Facility Fee Foundation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School District 27J Capital Facility Fee Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School District 27J Capital Facility Fee Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School District 27J Capital Facility Fee Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District 27J Capital Facility Fee Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School District 27J Capital Facility Fee Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tandem CPAs, LLC

Tandem CPAs, LLC

September 14, 2022

SCHOOL DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Financial Position *June 30, 2022 and 2021*

ASSETS

Assets	2022	2021
Cash and cash equivalents	\$ 113,051	\$ 490,911
Accrued interest	4,964	6,245
Accounts receivable, less allowance for doubtful accounts of \$0	6,920	1,730
Certificates of deposit	3,879,752	4,618,778
Total Assets	\$ 4,004,686	\$ 5,117,664

LIABILITIES AND NET ASSETS

Liabilities	-	-
Net Assets		
Net assets without donor restrictions	-	-
Net assets with donor restrictions	4,004,686	5,117,664
Total Net Assets	\$ 4,004,686	\$ 5,117,664
Total Liabilities and Net Assets	\$ 4,004,686	\$ 5,117,664

See accompanying *Notes to Financial Statements*

SCHOOL DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Activities For the Years ended June 30, 2022 and 2021

	Unrestricted	Temporarily Restricted	2022 Total	2021 Total
Revenue and Support				
Developer fees		1,411,451	1,411,451	1,117,696
Investment return (deficit)		(141,805)	(141,805)	6,168
In-kind donation services	35,629	-	35,629	26,573
Net assets released from restriction:				
Satisfaction of program restrictions	2,382,624	(2,382,624)	-	-
Total Revenue and Support.....	2,418,253	(1,112,978)	1,305,275	1,150,437
Expenses				
Program Services:				
School construction	-	-	-	-
Supporting Services:				
Program	2,375,000		2,375,000	325,830
Management and general	43,253	-	43,253	33,895
Fundraising	-	-	-	-
Total Supporting Services.....	2,418,253	-	2,418,253	359,725
Total Expenses.....	2,418,253	-	2,418,253	359,725
Increase (Decrease) in Net Assets	-	(1,112,978)	(1,112,978)	790,712
Net Assets at Beginning of Year	-	5,117,664	5,117,664	4,326,952
Net Assets and End of Year.....	-	4,004,686	4,004,686	5,117,664

See accompanying *Notes to Financial Statements*

SCHOOL DISTRICT 27J CAPITAL FACILITY FEE FOUNDATION

Statement of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	Program Services	Mgt and General	Fundraising	2022 Total	2021 Total
School construction	\$ 2,375,000	\$ -	\$ -	\$ 2,375,000	\$ 325,000
Legal services	-	410	-	410	476
Supplies	-			-	\$ 830
Other expenses	-	7,217	-	7,217	6,847
Administrative expenses	-	35,626	-	35,626	26,572
Total Expenses	\$ 2,375,000	\$ 43,253	\$ -	\$ 2,418,253	\$ 359,725

See accompanying *Notes to Financial Statements*

SCHOOL DISTRICT 27J CAPITAL FEE FOUNDATION

Statement of Cash Flows For the Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from developers	\$ 1,406,261	\$ 1,216,055
Cash payments to suppliers	(2,382,623)	(333,152)
Interest & dividends received	41,126	69,603
Net Cash Provided (Used) by Operating Activities	(935,236)	952,506
Cash Flows from Investing Activities		
Net redemptions (purchase) or certificates of deposit	557,376	(880,413)
Net Cash Provided (Used) by Investing Activities	557,376	(880,413)
Net Increase (Decrease) in Cash and Cash Equivalents	(377,860)	72,093
Cash and Cash Equivalents at Beginning of Year	490,911	418,818
Cash and Cash Equivalents at End of Year	\$ 113,051	\$ 490,911
 Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Increase (decrease) in Net Assets	\$(1,112,978)	\$ 790,712
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
(Gain) loss on investments	181,650	60,434
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,189)	98,359
(Increase) decrease in accrued interest	1,281	3,001
Net Cash Provided (Used) by Operating Activities.....	\$ (935,236)	\$ 952,506

See accompanying *Notes to Financial Statements*

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The School District 27J Capital Fee Foundation (the Foundation) was established during fiscal year 2001. The Foundation is a non-profit organization under Internal Revenue Code Section 501(c)(3), whose purpose is to promote and assist in the development, financing and acquisition of educational facilities and expansion in School District 27J, located in Brighton, Colorado (the School District).

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

In-Kind Donated Services

The Foundation does not have any employees. The Foundation receives donated services from School District 27J for accounting services and salaries for the School District's employees that manage the Foundation's activities. For the fiscal year ended June 30, 2022 and 2021, the Foundation estimated \$35,629 and \$26,573, respectively, for the value of these services. The fair market value of these services is calculated by multiplying the hourly pay rate plus benefits of staff times the hours they worked on the Foundation. These amounts are included in the financial statements as in-kind donations revenue and administrative expenses.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Revenue Recognition

Contributions are recorded as revenue when the contribution or an unconditional promise of a contribution is made. In addition, contributions received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time and purpose restrictions. Conditional promises to give are not recognized as support and revenue until the condition is satisfied.

The Developer Fees are considered to be contributions since the developers are not receiving any substantial benefit from the Foundation in return.

Income Taxes

Under the provisions of the Internal Revenue Code Section 501(c)(3), the Foundation is exempt from federal income tax on earnings from operations or activities related to its status as a non-profit organization. As of June 30, 2022, the IRS has not proposed any adjustments that would result in a material change to the Foundation's financial position. The Foundation is no longer subject to examination by Federal and Colorado taxing authorities for years before 2018.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management accounts for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in valuation allowance have not been material to the financial statements.

Fair Value of Financial Instruments

The Foundation discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Foundation's cash, accounts receivable, certificates of deposit and accounts payable approximate their estimated fair values due to their short-term maturities.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation maintains cash accounts in one bank. The cash accounts are insured by the Federal Deposit Insurance Corporation up to an aggregated amount of \$250,000. In addition, the Foundation maintains a U.S. Government money market included with its Certificates of Deposit investment portfolio. The U.S. Government money market is insured up to a maximum of \$500,000 per customer by the Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any loss on such accounts. As of June 30, 2022 and 2021, the uninsured balance was \$0. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

NOTE 3: CERTIFICATES OF DEPOSIT

Certificates of deposit consisted of the following at June 30, 2022 and 2021:

	2022	2021
Short-term certificates of deposit	\$ 900,743	\$ 2,025,151
Long-term certificates of deposit	2,979,009	2,593,627
Total	\$ 3,879,752	\$ 4,618,778

The certificates bear interest of 0.13% to 3.12% and have maturities of 4 months to 3.5 years.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS AND BOARD DESIGNATIONS

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following purposes:

	2022	2021
<i>Net Assets with Time/Purpose Restrictions:</i>		
Developer fee contributions to fund		
school construction	\$ 4,004,686	\$ 5,117,664
Total	\$ 4,004,686	\$ 5,117,664

The Organization does not have any board-designated net assets at June 30, 2022 and 2021.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 5: FAIR VALUE MEASUREMENTS

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurements framework. Fair value measurements are determined based on the assumption that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1: Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2022 and 2021:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2022</u>				
Money market funds	\$ 136	\$ —	\$ —	\$ 136
Certificates of deposit	—	3,879,752	\$ —	\$ 3,879,752
Total	<u>\$ 136</u>	<u>\$ 3,879,752</u>	<u>\$ —</u>	<u>\$ 3,879,888</u>
<u>June 30, 2021</u>				
Money market funds	\$ 295,469	\$ —	\$ —	\$ 295,469
Certificates of deposit	—	4,618,778	\$ —	\$ 4,618,778
Total	<u>\$ 295,469</u>	<u>\$ 4,618,778</u>	<u>\$ —</u>	<u>\$ 4,914,247</u>

The Foundation’s investments include money market funds which are measured using Level 1 inputs utilizing quoted market prices.

The fair market value of the Foundation’s certificates of deposit are based on pricing inputs directly observable and on quoted prices for similar assets in active markets (Level 2).

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 6: RELATED PARTIES

The Foundation's sole exempt purpose is to accumulate funds received from developers to be used by School District 27J for development, financing, acquisition and expansion of the educational facilities within the School District and at the School District's request. The Foundation's board consists of elected officials from three municipalities, one county, three developer representatives and three members of the School District's Board of Education.

NOTE 7: DEVELOPER FEES

All developers who are constructing residential units within the School District's boundaries may sign a Participant Agreement, whereby the developer voluntarily remits a Capital Facility fee to the Foundation. A developer or builder may also voluntarily contribute fees to the Foundation without benefit of a Participant Agreement. The developer fee is designed to provide funds for the capital facility needs of the School District.

The Foundation develops a fee schedule detailing the fee to be remitted for each residential unit constructed within the boundaries of the School District. The fee schedule is reviewed and the developer fee can be adjusted biannually using the prescribed methodology. However, the fee may not be increased by more than the cumulative percentage increase in the "Engineering News Record Index" from the prior adjustment date to September 1 of the year immediately preceding the adjustment date.

The adopted methodology was used to calculate the biannual adjustment to the Capital Facility fees no later than September 30, 2022, to be effective no earlier than January 1, 2023.

At the September 2022 Board of Directors meeting, the following fee schedule was approved with implementation on January 1, 2023:

\$980 per unit for all single-family attached and detached units
\$560 per unit for all other types of residential units

Total developer fees revenue during the years ended June 30, 2022 and 2021 was \$1,411,451 and \$1,117,696, respectively.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 8: COMMITMENTS AND CONTINGENCIES

Minimum Balance Requirement - Any distribution of funds raised through developer fees is subject to availability of funds. The Foundation cannot guarantee that funds collected in the future will be sufficient to meet any approved distribution schedule. Further, no transfer shall be made that would cause the balance of funds on deposit in Foundation accounts to fall below \$100,000, the “Minimum Balance Requirement.” In such event, the Foundation may defer the transfer request until such time as the Foundation has sufficient funds to make the transfer and comply with the Minimum Balance Requirement. Alternatively, the Foundation may require the School District to reduce the transfer request to a level in accordance with the Minimum Balance Requirement, or to withdraw the transfer request and submit it at a later time. A delay or deferral of any given transfer request will not reduce the Foundation’s overall commitment to fund the full amount of the Draw Request. The Foundation shall have no liability to the School District in the event insufficient funds are available beyond the Minimum Balance Requirement to fund the full draw amount of the Draw Request.

School Construction Payments – The Foundation has committed to paying up to \$4,000,000 to School District 27J for professional services related to the construction of a new elementary school in the district. However, the total estimate needed for the project has been lowered to \$2,900,000. The Foundation paid \$2,375,000 and \$325,000 to School District 27J during the years ending June 30, 2022 and 2021, for a total of \$2,700,000.

NOTE 9: CONCENTRATIONS OF FUNDING SOURCE

The Foundation recognized the following significant sources of revenue from developers during the fiscal years ending June 30, 2021 and 2020:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	<u>Amount</u>	<u>% of Total Revenues</u>	<u>Amount</u>	<u>% of Total Revenues</u>
Lennar Family	\$ 243,065	18.6%	\$ 429,455	37.3%
D.R. Horton	248,255	19.0%	86,873	7.5%
Richmond American Homes	216,250	16.6%	218,756	19.0%
Kairoi Residential	0	0.0%	151,515	13.2%
Greystar-GS	142,272	10.9%	0	0.0%
Meritage Homes of Colorado	140,130	10.7%	114,282	9.9%

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include any amounts the Organization’s board of directors have designated for specific operating purposes, regardless of whether those designated amounts were released if the board so chooses.

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End	\$4,004,686	\$5,117,664
Less: Financial assets unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	(4,004,686)	(5,117,664)
Board designations	—	—
Financial assets available to meet cash needs for general expenditures within one year	\$ —	\$ —

The Foundation has a goal to build a reserve to be used for school construction when the need from the school district arises.

NOTE 11: NEW ACCOUNTING PRONOUNCEMENT

ASU 2020-07

During the year ending June 30, 2022, the Organization adopted FASB ASU 2020-07 (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The pronouncement requires the presentation of nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. There are additional disclosures required, such as qualitative information and the Organization’s policies about how the contributed nonfinancial assets were utilized, and a description of the valuation techniques and inputs used to arrive at fair market value. The pronouncement was applied on a retrospective basis effective July 1, 2020. The net effect to net assets at July 1, 2020 was \$0.

**SCHOOL DISTRICT 27J
CAPITAL FACILITY FEE FOUNDATION**

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 12: FUNCTIONAL EXPENSES

The financial statements report certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include in-kind services which are allocated on the basis of estimates of time and effort; occupancy costs and supplies, communication and other costs based on identification or estimates of how the costs are used.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 14, 2022, which was the date the financial statements were available to be issued. There were no significant subsequent events noted.

In March 2020, the Coronavirus (COVID-19) pandemic began to affect individuals and businesses throughout Colorado. As of the report date, the Organization has had no significant loss of developer fee funds, changes in personnel or contracts. The Organization is adapting as required to comply with the current state, county and local requirements to ensure they are doing the best they can to fulfill their contract obligations. The short- and long-term effects of this pandemic on the Organization have yet to be determined.