

Community Leadership Academy, Inc.

Financial Statements
with Independent Auditor's Report

June 30, 2022



Community Leadership Academy, Inc.

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June 30, 2022

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**HINKLE &
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Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Directors
Community Leadership Academy, Inc.
Commerce City, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Community Leadership Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Community Leadership Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Community Leadership Academy, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Leadership Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Community Leadership Academy's 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.

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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 Community Leadership Academy, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's 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 opinions. 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 GAAS 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 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 GAAS, 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 Community Leadership Academy'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 Community Leadership Academy'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.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Hick & Company, PC

Englewood, Colorado
September 22, 2022



Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

As management of the Community Leadership Academy, Inc., (also referred to as the "Academy") we offer readers of the audited financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2022. Community Leadership Academy, Inc. provides instructional programs at two locations, the elementary grades Pre-K through 5th are served at the Community Leadership Academy on Holly Street and the secondary grades 6 through 12 are served at the Victory Preparatory Academy on Quebec Street. The activities of both schools are included in the financial statements and were included in the audit of Community Leadership Academy, Inc.

FINANCIAL HIGHLIGHTS

In 2018 the Academy implemented GASB 75 which requires reporting of the Academy's share of Postemployment Healthcare Benefits administered by the Public Employees' Retirement Association of Colorado (PERA). Under GASB 75, the Academy's proportionate share of the net OPEB liability of the Health Care Trust Fund (HTCF) is recorded as a liability of the Academy. At June 30, 2022 the net pension liability was \$267,870 compared to \$337,931 the prior year.

Under GASB 68, which was implemented in 2015, the Academy's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association (PERA), is recorded as a liability of the Academy. At June 30, 2022 the net pension liability was \$5,543,509 compared to \$9,289,485 the prior year.

Deferred outflows decreased to \$1,011,531 compared to \$1,858,837 the prior year. Deferred inflows increased to \$4,069,711 compared to \$3,991,865 the prior year.

The net effect of these changes related to pension and OPEB resulted in a positive change in net position in the amount of \$2,890,885.

The Building Corporations were formed for the specific purpose to hold title to real and/or personal property for the Academy, to make the same available for use by the schools, and to otherwise provide a public building, facilities, and equipment to the schools. Building Corporation I holds title to property at the Holly Street location for the benefit of the elementary school, Community Leadership Academy, serving grades Pre-K through 5th. Building Corporation II holds title to property at the Quebec Street location for the benefit of the secondary school, Victory Preparatory Academy, serving grades 6th through 12th.

OVERVIEW OF FINANCIAL STATEMENTS

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

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Government-wide Financial Statements:

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

The statement of net position presents information on all of the Academy's assets and liabilities, with the difference between the two 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 Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy'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 revenues and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the Colorado Charter School Institute (CSI). The governmental activities of the Academy include instruction, supporting services and food service expenses. The government-wide financial statements can be found on pages 4-5 of this report.

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 Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are governmental funds including general and special revenue funds. The fund financial statements can be found on pages 6-7 of this report.

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 Academy'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 Academy's near-term financing decisions. When applicable, 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 Academy adopts an annual appropriated budget for its one governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

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 on pages 9 through 36.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by \$4,144,105 as of the close of the 2021-22 fiscal year compared to \$7,061,645 the prior year. The negative balance is primarily due to the adoption of GASB Statement No. 68 in 2015 and No. 75 in 2018 whereby the Academy reports its proportionate share of the state retirement system plan and postemployment healthcare benefits as liabilities on its financial statement. The net pension liability at the end of the current fiscal year is \$5,543,509 compared to \$9,289,485 for 2021. The net OPEB liability at the end of the current fiscal year is \$267,870 compared to \$337,931 for 2021.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Statement of Net Position Governmental Activities

	30-Jun-22	30-Jun-21	Net Change
Current and other assets	\$ 9,807,693	\$ 9,890,353	\$ (82,660)
Capital assets	\$ 18,495,335	\$ 18,746,612	\$ (251,277)
TOTAL ASSETS	\$ 28,303,028	\$ 28,636,965	\$ (333,937)
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,011,531	\$ 1,858,837	\$ (847,306)
Current liabilities	\$ 1,094,377	\$ 1,156,331	\$ (61,954)
Other liabilities	\$ 28,294,576	\$ 32,409,251	\$ (4,114,675)
TOTAL LIABILITIES	\$ 29,388,953	\$ 33,565,582	\$ (4,176,629)
DEFERRED INFLOWS OF RESOURCES	\$ 4,069,711	\$ 3,991,865	\$ 77,846
Net Position			
Net Investment in Capital Assets	\$ (3,987,862)	\$ (4,035,223)	\$ 47,361
Restricted for Debt Service	\$ 3,399,416	\$ 3,386,149	\$ 13,267
Restricted for Repairs & Replacement	\$ 166,087	\$ 170,361	\$ (4,274)
Restricted for Emergencies	\$ 210,000	\$ 200,000	\$ 10,000
Unrestricted	\$ (3,931,746)	\$ (6,782,932)	\$ 2,851,186
TOTAL NET POSITION	\$ (4,144,105)	\$ (7,061,645)	\$ 2,917,540

Cash and investments make up 32.7% of the Academy's total assets of which 38.5% is restricted in the building corporations for repair and replacement of capital assets and to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 65.4% of total assets. The remaining assets, primarily grants receivable, make up 1.9% of total assets. Overall total assets decreased \$333,937 primarily due to depreciation of capital assets.

Overall total deferred outflow of resources increased \$847,306 from \$1,858,837 for 2021 to \$1,011,531 for 2022. Deferred inflow of resources increased \$77,846 from \$3,991,865 for 2021 to \$4,069,711 for 2022.

Current liabilities decreased by \$61,954 of which \$45,771 is from changes to accrued salaries and benefits based on fewer staff needed to serve fewer students. Other liabilities decreased by \$4,114,675 primarily due to the changes to pension and OPEB liabilities and principal paid on outstanding debt.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Community Leadership Academy, Inc. Statement of Activities For the Years Ended June 30, 2022 and June 30, 2021

	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 4,087	\$ -	\$ 4,087
Grants & Contributions	\$ 2,214,067	\$ 1,797,837	\$ 416,230
Total Program Revenue	<u>\$ 2,218,154</u>	<u>\$ 1,797,837</u>	<u>\$ 420,317</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 5,688,513	\$ 5,500,855	\$ 187,658
At-Risk Supplemental Aid	\$ 7,124	\$ 32,557	\$ (25,433)
Mill Levy Equalization	\$ 272,084	\$ 198,474	\$ 73,610
Capital Construction Grant	\$ 199,776	\$ 203,019	\$ (3,243)
Investment Income	\$ 16,675	\$ 7,200	\$ 9,475
Gain on Loan Forgiveness	\$ -	\$ 1,090,475	\$ (1,090,475)
Other	\$ 58,211	\$ 18,927	\$ 39,284
Total General Revenue	<u>\$ 6,242,383</u>	<u>\$ 7,051,507</u>	<u>\$ (809,124)</u>
Total Revenue	<u>\$ 8,460,537</u>	<u>\$ 8,849,344</u>	<u>\$ (388,807)</u>
Expenses:			
Current:			
Instruction	\$ 1,083,572	\$ 1,659,008	\$ (575,436)
Supporting Services	\$ 2,279,283	\$ 2,464,795	\$ (185,512)
Food Service	\$ 584,284	\$ 504,052	\$ 80,232
Interest on Long-term Debt	\$ 1,595,858	\$ 1,621,994	\$ (26,136)
Total Expenses	<u>\$ 5,542,997</u>	<u>\$ 6,249,849</u>	<u>\$ (706,852)</u>
CHANGE IN NET POSITION	\$ 2,917,540	\$ 2,599,495	\$ 318,045
NET POSTION, Beginning	<u>\$ (7,061,645)</u>	<u>\$ (9,661,140)</u>	<u>\$ 2,599,495</u>
NET POSTION, Ending	<u>\$ (4,144,105)</u>	<u>\$ (7,061,645)</u>	<u>\$ 2,917,540</u>

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Total revenue decreased \$388,807 primarily due to grants revenue that increased \$416,230 and decreased gain on loan forgiveness in the amount of \$1,090,475. Per pupil revenue increased \$187,658 due to a \$1,322 increase to per pupil operating revenue from the State offset by a 73.5 decrease in the number of students. Mill levy equalization, which is in the third year of funding increased from \$198,474 for 2021 to \$272,084 for 2022. Investment income decreased from \$7,200 in 2021 to \$16,675 due to improved earnings rates near the end of the fiscal year. Other revenue increased \$39,284 due primarily to \$19,380 contributed from a terminated nonprofit organization and \$18,360 distributed from ERATE toward telecommunications costs.

Overall expenses decreased \$706,852 due in large part to changes in pension and OPEB liabilities, inflows, outflows and related pension expense recognized under GASB 68 and 75. Instructional expenses decreased by \$575,436 and supporting services expenses decreased by \$185,512. Food Service costs driven by the number of meals served decreased \$26,136 from the prior year as a result of more food received through the commodities distribution program.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Community Leadership Academy, Inc. uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the seventh full year of operations for the Academy. As of the end of the current fiscal year, the Academy reported fund balance in its general fund of \$5,855,238 compared to \$5,887,267 the prior year, which is a decrease of \$32,029 compared to a decrease of \$861,220 the prior year. The prior year decrease was due to declining enrollment and per pupil funding caused by the economic impact of COVID-19 and the timing of recognizing \$1,090,745 under the payroll protection plan established to relieve the impact of the pandemic.

GASB 90 was implement at the beginning of the 2020-21 fiscal year and, as a result, building corporations are reported as special revenue funds combined with other governmental funds described above. As of the end of the current fiscal year, the fund balance for Building Corporation I is \$1,180,151 compared to \$1,172,402 at the end of the prior fiscal year, an increase of \$7,749. Building Corporation II reported a fund balance of \$2,378,474 as of the end of the current fiscal year compared to \$2,384,108 the prior year, a decrease of \$5,634. The use of funds is due to excess investment balances transferred to the general fund in accordance with the 2013 series bond agreement.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Governmental Fund revenue for FY 2020-21 was \$9,672,250 compared to \$10,369,566 for the current year, which includes revenue from the building corporations totaling \$1,913,704. Revenue from general operations increased \$702,124 primarily due to increases in State Finance Act revenue and federal grants.

Per pupil funding increased from \$8,198 to \$9,520 while enrollment decreased by 73.5 students producing a net increase in State Finance Act revenue of \$187,658. School finance revenue makes up 67.2% of the Academy's general fund operating revenue. Other state and local funding increased \$80,459 primarily due to revenue recognized from state paid contributions to PERA. Federal grants increased \$416,230 due to additional funding for COVID relief and lost learning recovery and new workforce grants.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget may be amended. For 2021-22 the budget was amended to adjust appropriations for loss of revenue from decreased enrollment and changes to federal and state funding sources. Overall expected revenues and other financing sources decreased \$337,200 while budgeted expenditures and other uses decreased \$827,200 resulting in a reduction in projected use of reserves from \$990,000 down to \$500,000 in the amended budget.

The majority of Academy spending in the General Fund is for salaries and benefits at 46.9% of total expenditures for 2021-22 compared to 49% the prior year. Facility lease fees make up 22.5% of total expenditures in 2021-22 compared to 22.2% the prior year. Other purchased services make up 17.7% of total expenditures compared to 14.7% the prior year. Other purchased services include transportation, maintenance, insurance, technology, accounting and legal services from various providers, and general and central services purchased from the authorizer, Colorado Charter School Institute. Supplies make up 12.2% of total expenditures for 2021-22 compared to 8.2% the prior year due to the purchase of reading, language arts and math textbooks and materials totaling over \$300,000. Remaining expenditures are primarily for acquisition of capital assets including computers and other equipment.

Total revenues in the General Fund were \$444,062 higher than expected primarily due to unexpected funding from state and federal grants including grants to purchase math and reading instructional materials and federal funding for food service programs. Expenditures were \$17,024 under budget, a variance of 0.1%.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets: Building Corporation I owns land with a carrying value of \$820,000 and building and improvements capitalized at \$6,867,919 at June 30, 2022. Equipment totaled \$284,093. The net carrying value of Building Corporation I capital assets after subtracting accumulated depreciation is \$6,685,027.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Building Corporation II owns land with a carrying value of \$750,000 and buildings and improvements capitalized at \$11,975,345 at June 30, 2022. Equipment totaled \$306,956. The net carrying value of Building Corporation II capital assets after subtracting accumulated depreciation is \$11,700,795.

Other general capital assets include equipment totaling \$309,576 with accumulated depreciation of \$200,062 resulting in carrying value at June 30, 2022 of \$109,514. Equipment additions totaled \$25,850 for a network server and progress payments toward enhanced security systems at both schools.

Long-term debt: In February 2008, the Building Corporation issued \$8,810,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at a net interest cost of 6.5%. The proceeds were used, in part to create a debt service reserve of \$675,714 and pay debt issuance costs of \$300,644. The remaining proceeds were used to acquire capital assets described above for the Building Corporation. The Academy makes lease payments to the Building Corporation for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

In August 2013 Building Corporation II entered into an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) to issue bonds totaling \$16,065,000 at interest rates ranging from 7% to 7.45%. Some of the proceeds were used to pay an existing loan of \$1,868,700 and debt issuance costs totaling \$700,400. Proceeds were also used to create a debt service reserve of \$1,606,500 and a capitalized interest fund of \$2,169,000. The remaining proceeds were used to construct and equip a high school facility as described above for the Building Corporation II. The Academy makes lease payments to the Building Corporation II for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment is critical to generating the funding needed to meet the challenges related to debt obligations. The Academy developed a strategic growth plan to ensure that it remained financially stable as it expanded to a Pre-K through 12th grade school. The economy appeared to be recovering with consistent increases to per pupil funding in recent years until the pandemic escalated in 2020 and 2021 resulting in a 6.9% decrease in per pupil funding for 2020-21. Per pupil funding for 2021-22 increased 16.1% to restore funding lost during the pandemic and provide a typical annual increase. Management continues to monitor the changes in enrollment, per pupil funding and operating costs with the goal of a balanced budget and to ensure that the Academy meets its obligations.

Community Leadership Academy, Inc.

Management's Discussion and Analysis

June 30, 2022

Annual lease payments to Building Corporations I and II to provide the resources to pay debt obligations continue to be a challenge. The Academy has a level of enrollment that generates the revenue necessary to pay the maximum lease payments. The annual commitment totals \$671,400 for Building Corporation I and \$1,237,600 for Building Corporation II. The economic impact of COVID on both enrollment and per pupil funding has increased the challenges associated with this debt.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. Since then, per pupil funding increased 2.2% in 2013-14, 4.1% in 2014-15, 2.4% in 2015-16, 3.6% in 2016-17, 2.8% in 2017-18, 5.3% for 2018-19 and 3.5% for 2019-2020. Funding for 2020-21 decreased by 6.9% and increased in 2021-22 by 16.1% bringing per pupil funding back to the pre-pandemic level at \$9,520 per student. Funding for 2022-23 is projected to increase 6% bringing of approximately \$10,050 per student. Increasing enrollment and sustaining growth in K-12 funding continue to be uncertain and a challenge for the Academy.

Early in 2020 the Coronavirus (known as Covid-19) began to spread to the United States and quickly grew to pandemic proportions. As a result, schools across the nation were ordered to close by state governors with remote instruction implemented for the fourth quarter of the 2019-2020 school year. For 2020-21 schools remained closed with virtual or remote learning being the primary method for delivering instruction. New sanitation and safety precautions were implemented prior to reopening schools for 2021-22 with all in person classroom instruction. Federal grants have helped to defray the added costs and to implement programs to recover lost learning during the pandemic. The charter school is financially strong with 85.2% of operating expenditures in reserves. Management continues to monitor the financial impact of Covid-19 and do not currently expect any insurmountable challenges.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Community Leadership Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Ron Jajdelski, Executive Director, Community Leadership Academy, Inc., 6880 Holly Court, Commerce City, CO 80022.

Basic Financial Statements

Community Leadership Academy, Inc.
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and Investments	\$ 5,685,503
Restricted Cash and Investments	3,565,503
Accounts Receivable	57,952
Grants Receivable	488,899
Inventory	9,836
Capital Assets, <i>Not Being Depreciated</i>	1,570,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	16,925,335
Total Assets	28,303,028
Deferred Outflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	975,971
OPEB, <i>Net of Accumulated Amortization</i>	35,560
Total Deferred Outflows of Resources	1,011,531
Liabilities	
Accounts Payable	97,831
Accrued Salaries and Benefits	295,999
Accrued Interest Payable	700,547
Noncurrent Liabilities	
Due Within One Year	300,000
Due in More Than One Year	22,183,197
Net Pension Liability	5,543,509
Net OPEB Liability	267,870
Total Liabilities	29,388,953
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	3,933,929
OPEB, <i>Net of Accumulated Amortization</i>	135,782
Total Deferred Inflows of Resources	4,069,711
Net Position	
Net Investment in Capital Assets	(3,987,862)
Restricted for:	
Debt Service	3,399,416
Repair and Replacement	166,087
Emergencies	210,000
Unrestricted	(3,931,746)
Total Net Position	\$ (4,144,105)

See Notes to the Financial Statements.

Community Leadership Academy, Inc.
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
Primary Government				
<i>Governmental Activities</i>				
Instruction	\$ 1,083,572	\$ 526	\$ 1,410,225	\$ 327,179
Supporting Services	2,279,283	-	296,973	(1,982,310)
Food Service	584,284	3,561	506,869	(73,854)
Interest on Long-Term Debt	1,595,858	-	-	(1,595,858)
Total Governmental Activities	\$ 5,542,997	\$ 4,087	\$ 2,214,067	(3,324,843)
General Revenues				
				5,688,513
				272,084
				7,124
				199,776
				16,675
				58,211
				<u>6,242,383</u>
				Change in Net Position 2,917,540
				<u>Net Position, Beginning of Year (7,061,645)</u>
				<u>Net Position, End of Year \$ (4,144,105)</u>

Community Leadership Academy, Inc.
Balance Sheet
Governmental Fund
June 30, 2022

	General	Building I	Building II	Total
Assets				
Cash and Investments	\$ 5,685,503	\$ -	\$ -	\$ 5,685,503
Restricted Cash and Investments	-	1,181,647	2,383,856	3,565,503
Accounts Receivable	57,951	-	-	57,951
Grants Receivable	488,899	-	-	488,899
Inventory	9,836	-	-	9,836
Due From	6,879	-	-	6,879
	<u>6,249,068</u>	<u>1,181,647</u>	<u>2,383,856</u>	<u>9,814,571</u>
Total Assets	<u>\$ 6,249,068</u>	<u>\$ 1,181,647</u>	<u>\$ 2,383,856</u>	<u>\$ 9,814,571</u>
Liabilities and Fund Balance				
<i>Liabilities</i>				
Accounts Payable	\$ 97,831	\$ -	\$ -	\$ 97,831
Accrued Salaries and Benefits	295,999	-	-	295,999
Due To	-	1,496	5,382	6,878
	<u>393,830</u>	<u>1,496</u>	<u>5,382</u>	<u>400,708</u>
Total Liabilities	<u>393,830</u>	<u>1,496</u>	<u>5,382</u>	<u>400,708</u>
<i>Fund Balance</i>				
Nonspendable Inventory	9,836	-	-	9,836
Restricted for:				
Debt Service	-	1,126,572	2,272,844	3,399,416
Repair and Replacement	-	55,075	111,012	166,087
Emergencies	210,000	-	-	210,000
Unrestricted, Unassigned	5,635,402	(1,496)	(5,382)	5,628,524
	<u>5,855,238</u>	<u>1,180,151</u>	<u>2,378,474</u>	<u>9,413,863</u>
Total Fund Balance	<u>5,855,238</u>	<u>1,180,151</u>	<u>2,378,474</u>	<u>9,413,863</u>
Total Liabilities and Fund Balance	<u>\$ 6,249,068</u>	<u>\$ 1,181,647</u>	<u>\$ 2,383,856</u>	<u>\$ 9,814,571</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 9,413,863
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	18,495,335
Long-term liabilities and related items are not due and payable in the current year, and, therefore, are not reported in governmental funds:	
Accrued interest payable	(700,547)
Long-Term Debt	(22,483,197)
Net pension liability	(5,543,509)
Pension-related deferred outflows of resources	975,971
Pension-related deferred inflows of resources	(3,933,929)
Net OPEB liability	(267,870)
OPEB-related deferred outflows of resources	35,560
OPEB-related deferred inflows of resources	<u>(135,782)</u>
Total Net Position of Governmental Activities	<u>\$ (4,144,105)</u>

Community Leadership Academy, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

	<u>General</u>	<u>Building I</u>	<u>Building II</u>	<u>Total</u>
Revenues				
Local Sources	\$ 5,762,811	\$ 672,946	\$ 1,240,758	\$ 7,676,515
State Sources	922,305	-	-	922,305
Federal Sources	<u>1,770,746</u>	<u>-</u>	<u>-</u>	<u>1,770,746</u>
 Total Revenues	 <u>8,455,862</u>	 <u>672,946</u>	 <u>1,240,758</u>	 <u>10,369,566</u>
Expenditures				
Instruction	2,962,648	-	-	2,962,648
Supporting Services	4,948,844	-	-	4,948,844
Food Service	584,284	-	-	584,284
Debt Service				
Principal	-	220,000	80,000	300,000
Interest	<u>-</u>	<u>443,287</u>	<u>1,160,417</u>	<u>1,603,704</u>
 Total Expenditures	 <u>8,495,776</u>	 <u>663,287</u>	 <u>1,240,417</u>	 <u>10,399,480</u>
Excess of Revenues Over Expenditures	(39,914)	9,659	341	(29,914)
Other Financing Sources (Uses)				
Transfers In (Out)	<u>7,885</u>	<u>(1,910)</u>	<u>(5,975)</u>	<u>-</u>
Net Change in Fund Balance	(32,029)	7,749	(5,634)	(29,914)
Fund Balance, Beginning of Year	<u>5,887,267</u>	<u>1,172,402</u>	<u>2,384,108</u>	<u>9,443,777</u>
Fund Balance, End of Year	<u>\$ 5,855,238</u>	<u>\$ 1,180,151</u>	<u>\$ 2,378,474</u>	<u>\$ 9,413,863</u>

Community Leadership Academy, Inc.
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$	(29,914)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital Outlays		25,850
Depreciation expense		(277,127)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
Forgiveness of forgivable loan		
Loan Payments		298,638
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p>		
Change in accrued interest		9,208
Net pension liability		3,745,976
Pension-related deferred outflows of resources		(838,769)
Pension-related deferred inflows of resources		(96,256)
Net OPEB liability		70,061
OPEB-related deferred outflows of resources		(8,538)
OPEB-related deferred inflows of resources		18,411
		18,411
Change in Net Position of Governmental Activities	\$	2,917,540

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies

Community Leadership Academy, Inc. (the School) was organized in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Adams County School District 14 in the State of Colorado. In 2011, the School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School pursuant to State statutes. The current contract expires on June 30, 2021. The School currently operates an elementary school, Community Leadership Academy, and a middle and high school, Victory Preparatory Academy. The activities of both schools are included in these financial statements.

The accounting policies of the School conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the School's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization or the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes Community Leadership Academy Building Corporation (the Corporation) and Community Leadership Academy Building Corporation II (the Corporation II) within its reporting entity. The entities were formed to acquire and hold real and/or personal property for, and to lease or make the same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Corporation and the Corporation II are blended into the School's financial statements a Special Revenue Fund, and do not issue separate financial statements.

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 activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statement (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others 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 revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental fund and the proprietary funds. Major individual funds are reported as 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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental funds:

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Special Revenue Fund Building I - This fund is used to account for the financial activities of the Corporation, which are primarily for capital purposes and the related debt service.

Special Revenue Fund Building II - This fund accounts for the financial activities of the Corporation II, including the acquisition and construction of a middle and high school facility, and the related debt service.

Assets, Liabilities and Fund Balance/Net Position

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

Inventory - Food inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost provided by the federal government.

Capital Assets - Capital assets are reported in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more, 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide and proprietary fund financial statements. Depreciation is provided over the estimated useful lives of the capital assets using the straight-line method, as follows.

Buildings and Improvements	25 - 100 years
Equipment	5 - 20 years

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, are reported as a liability of the General Fund.

Unearned Revenues - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - Employees are allowed to accumulate unused vacation and paid time off (PTO) up to 14 days. Upon termination of employment from the School, an employee will be compensated for all accrued vacation time and PTO at the rate of \$100 per day. A liability for these compensated absences is not reported in the financial statements because the amount is insignificant.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

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.

OPEB - The School participates 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's 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

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 carries commercial insurance for these risks of loss.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the School Implemented GASB Statement No. 80 - Blending Requirements for Certain Component Units. This statement changes Building Corporations of the School from a Proprietary to a Special Revenue fund and will be a blended component unit of the School.

Subsequent Events

The School has evaluated subsequent events through September 22, 2022, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2022, the Corporation II had a negative net position of \$(2,378,474). Management expects this negative balance to be eliminated as the Corporation II's debt is paid.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 3: Cash and Investments

Cash and investments at June 30, 2022, consisted of the following:

Deposits	\$ 280,489
Petty Cash	100
Investments	<u>8,970,417</u>
Total	<u>\$ 9,251,006</u>

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

Cash and Investments	\$ 5,685,503
Restricted Cash and Investments	<u>3,565,503</u>
Total	<u>\$ 9,251,006</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 3: Cash and Investments (Continued)

Investments (Continued)

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pools - At June 30, 2022, the School had \$5,404,914 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation I and the Corporation II had \$1,181,647 and \$2,383,856, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools.

Colotrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using the NAV per share (or its equivalent) of the investments.

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools are 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 participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website www.colotrust.com.

CSAFE is considered to be a 2a7-like investment and is valued at amortized cost. The 2a7-like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a7-like investments conform to Colorado Statutes CRS 24-75-601 et. Seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado Depositories collateralized at 102% of market value investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAM rating, the highest attainable rating for a Local Government Investment Pool. Information regarding CSAF's financial statements is available at the website www.csafe.org.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 3: Cash and Investments (Continued)

Restricted Cash and Investments

Investments of \$1,181,647 and \$2,383,856 have been restricted by the Corporation and the Corporation II, respectively, for future debt service and building repair and replacement.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

Governmental Activities	Balance 06/30/21	Additions	Deletions	Balance 06/30/22
Capital Assets, Not Being Depreciated				
Land	\$ 1,570,000	\$ -	\$ -	\$ 1,570,000
Capital Assets, Being Depreciated				
Buildings and Improvements	18,843,264	-		18,843,264
Equipment	874,776	25,850	-	900,626
Total Capital Assets, Being Depreciated	19,718,040	25,850	-	19,743,890
Less Accumulated Depreciation				
Buildings and Improvements	(1,920,052)	(214,456)	-	(2,134,508)
Equipment	(621,376)	(62,671)	-	(684,047)
Total Accumulated Depreciation	(2,541,428)	(277,127)	-	(2,818,555)
Total Capital Assets, Being Depreciated, net	17,176,612	(251,277)	-	16,925,335
Business-Type Activities Capital Assets, net	\$ 18,746,612	\$ (251,277)	\$ -	\$ 18,495,335

Depreciation expense of the governmental activities of \$277,127 was charged to the supporting services program.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 5: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions for the year ended June 30, 2020:

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/20</u>	<u>Due Within One Year</u>
Governmental Activities					
2008 Loan	\$ 7,010,000	\$ -	\$ 220,000	\$ 6,790,000	\$ 235,000
Discount	(23,165)	-	(1,362)	(21,803)	-
2013 Loan	<u>15,795,000</u>	<u>-</u>	<u>80,000</u>	<u>15,715,000</u>	<u>80,000</u>
Total	<u>\$ 22,781,835</u>	<u>\$ -</u>	<u>\$ 298,638</u>	<u>\$ 22,483,197</u>	<u>\$ 315,000</u>

On May 5, 2020, the School obtained a loan from a local bank under the Paycheck Protection Plan (PPP) program administered by the Small Business Administration (SBA) in the amount of \$1,090,475. The terms of the loan require the School to begin repayment on December 1, 2020 with payments of \$61,358, including interest at 1%. Subsequent to the date of the loan, the SBA made revisions to the PPP program that allowed modifications to some of the terms that would allow a borrower to extend the repayment term.

During June 2020, the School filed an application under SBA guidance for forgiveness for the entire amount of the indebtedness. As of June 30, 2021, the school has been granted full forgiveness of the Loan.

February 2008, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,810,000 Charter School Revenue Bonds, Series 2008. Proceeds of the bonds were loaned to the Corporation under a mortgage and loan agreement to construct an elementary school building. The School is obligated under a lease agreement to make monthly payments to the Corporation for use of the building. The Corporation is required to make equal loan payments the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 5.75% to 6.5%. Interest payments are due semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 2038.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 5: Long-Term Debt (Continued)

Governmental Activities (Continued)

On August 16, 2013, CECFA issued \$16,065,000 Charter School Revenue Bonds, Series 2013. Proceeds were loaned to the Corporation II to finance the construction and equipping of a middle and high school facility. The School is obligated under a lease agreement to make monthly payments to the Corporation II for using the facilities. The Corporation II is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 7% to 7.45%. Interest payments are due semi-annually on February 1 and August 1. Principal payments are due annually on August 1, from 2017 through 2049.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	315,000	1,583,887	1,898,887
2023	335,000	1,562,956	1,897,956
2024	360,000	1,540,562	1,900,562
2025	380,000	1,516,704	1,896,704
2026	405,000	1,491,387	1,896,387
2027-2031	2,460,000	7,009,813	9,469,813
2032-2036	3,395,000	6,045,883	9,440,883
2037-2041	4,715,000	4,292,274	9,007,274
2042-2046	6,705,000	2,846,362	9,551,362
2047-2049	3,435,000	388,517	3,823,517
Total	\$ 22,505,000	\$ 28,278,345	\$ 50,783,345

Note 6: Interfund Transactions

During the year ended June 30, 2022, the Corporation II transferred excess funds of \$5,975 correspondingly to the General fund.

Note 7: 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 workers compensation risks. For its risk of property loss or damage and general liability, the School participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 7: Risk Management (Continued)

The CSDSIP is sponsored by the Colorado Association of School Boards (CASB) and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The School pays an annual premium to the CSDSIP for property and liability insurance coverage. The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

Note 8: Defined Benefit Pension Plan

General Information

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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of 2022 - 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 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.

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) \$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.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum of 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) in place under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of 2022: Eligible employees, 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 10.50% of their PERA-includable salary during the period of July 01, 2021 through June 30, 2022. The School's contribution rate was 20.90% of covered salaries for July 01, 2021 through June 30, 2022. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 \$338,284, for the year ended 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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 at December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year, 2021 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2022, the School reported a liability of \$5,543,509.00 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. 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 Proportionate share of net pension liability	\$ 9,289,485
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(3,745,976)</u>
Total	<u>\$ 5,543,509</u>

At December 31, 2021, the School's proportion was 0.0476354244%, which was a decrease of 0.013811166% from its proportion measured at December 31, 2020.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 8: 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, 2022, the School recognized pension expense of \$1,337,503. For the year ended 2021, the School recognized pension expense of \$2,184,590 and revenue of \$2,814,590 for support from the State as a nonemployer contributing entity. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,228	\$ -
Changes of assumptions and other inputs	423,205	-
Net difference between projected and actual earnings on plan investments	-	2,084,192
Changes in proportion	18,724	1,849,737
Contributions subsequent to the measurement date	321,814	-
Total	\$ 975,971	\$ 3,933,929

\$321,814 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2023		\$	(866,050)
2024			(1,413,800)
2025			(746,944)
2026			(252,978)
Total		\$	(3,279,772)

Actuarial assumptions - The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 8: 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	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4-11.0 %
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-employment benefit increases:	
Hired prior to 1/1/07;	1.00%
Hired after 12/31/06	Financed by AIR

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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: 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.

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

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.

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 percentage 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	6.00%	4.70%
Total	<u>100.00%</u>	

Note: 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 rate of return assumption of 7.25%.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 8: 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 TPL was 7.25%. 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% 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.
- 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 and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ <u>8,159,591</u>	\$ <u>5,543,509</u>	\$ <u>3,360,485</u>

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

Note 9: Postemployment Healthcare Benefits

General Information

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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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.

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 health benefits program 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 over 65 years of age 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% 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.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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.

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% 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 CRS, 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% 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 was \$30,139, for the year ended June 30, 2022.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

At 2022, the School reported a liability of \$267,870 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2021.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2021, relative to the contributions of all participating employers to the HCTF. At December 31, 2021, the School's proportion was 0.0310643854%, which was a decrease of 0.0044988701% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB expense of \$8,588. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 409	\$ 63,515
Changes of assumptions and other inputs	5,547	14,530
Net difference between projected and actual earnings on plan investments	-	16,581
Changes in proportion	13,134	41,156
Contributions subsequent to the measurement date	16,470	-
Total	\$ 35,560	\$ 135,782

\$16,970 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2023		\$	(22,106)
2024			(31,919)
2025			(33,023)
2026			(18,773)
2027			(9,290)
Thereafter			(1,581)
Total		\$	(116,692)

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA benefit structure:</i>	
Service-based premium subsidy	0.0%
Medicare plans:	
8.10% for 2020, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2020, gradually increasing to 4.50% in 2029	
<i>DPS benefit structure:</i>	
Service-based premium subsidy	0.0%
PERACare Medicare Plans	N/A
Medicare Part A premiums:	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$663, Monthly Premium of \$230, Monthly Costs Adjusted to Age 65 of \$591.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$596, Monthly Premium of \$199, Monthly Costs Adjusted to Age 65 of \$562.

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

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, 2020, 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.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each the Division Trust Funds as shown below are applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (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 Divisions were based on the upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

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

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

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

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were adopted by the PERA's Board during the November 20, 2020, Board meeting.

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.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (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.

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.

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, as presented previously (see Note 8).

Note: 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%.

Discount Rate - The discount rate used to measure the TOL was 7.25%. 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, 2021, 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%.
- 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.

Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

- 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 be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>311,103</u>	\$ <u>267,870</u>	\$ <u>230,941</u>

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 2.75% to 5.50%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ <u>260,177</u>	\$ <u>267,870</u>	\$ <u>276,781</u>

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Community Leadership Academy, Inc.
Notes to Financial Statements
June 30, 2022

Note 10: Current Economic Conditions

During the year ended June 30, 2021, the United States of America and the State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in the financial markets, the public health emergency creates uncertain economic conditions. The School has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the School could be negatively impacted.

Required Supplementary Information

Community Leadership Academy, Inc.

Schedule of Proportionate Share of the Net Pension Liability and Contributions Public Employees' Retirement Association of Colorado School Division Trust Fund June 30, 2022

	12/31/21	12/31/20	12/31/19
Proportionate Share of the Net Pension Liability			
School's Proportion of the Net Pension Liability	0.0476354244%	0.0614465902%	0.0606475935%
School's Proportionate Share of the Net Pension Liability	\$ 5,543,509	\$ 9,168,693	\$ 9,060,619
School's Covered-Employee Payroll	\$ 2,973,432	\$ 3,288,698	\$ 3,564,578
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	186%	279%	254%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	67%	65%
	6/30/22	6/30/21	6/30/20
School Contributions			
Statutorily Required Contribution	\$ 587,422	\$ 613,125	\$ 665,893
Contributions in Relation to the Statutorily Required Contribution	(587,422)	(613,125)	(665,893)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,954,830	\$ 3,084,121	\$ 3,480,879
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.88%	19.13%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

Community Leadership Academy, Inc.

Schedule of Proportionate Share of the Net Pension Liability and Contributions Public Employees' Retirement Association of Colorado School Division Trust Fund June 30, 2022 (Continued)

	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0580593321%	0.0661741371%	0.0671022949%	0.0640820292%	0.0579476004%
School's Proportionate Share of the Net Pension Liability	\$ 10,280,597	\$ 21,398,364	\$ 19,978,948	\$ 9,800,894	\$ 7,853,846
School's Covered-Employee Payroll	\$ 3,191,833	\$ 3,052,535	\$ 3,012,109	\$ 2,793,277	\$ 2,427,589
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%	701%	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%
	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
School Contributions					
Statutorily Required Contribution	\$ 673,598	\$ 566,082	\$ 433,864	\$ 523,083	\$ 443,208
Contributions in Relation to the Statutorily Required Contribution	<u>(673,598)</u>	<u>(566,082)</u>	<u>(433,864)</u>	<u>(523,083)</u>	<u>(443,208)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 3,521,169	\$ 2,998,435	\$ 2,360,708	\$ 2,950,423	\$ 2,625,539
Contributions as a Percentage of Covered-Employee Payroll	19.13%	18.88%	18.38%	17.73%	16.88%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Community Leadership Academy, Inc.

Schedule of Proportionate Share of the Net OPEB Liability and Contributions Public Employees' Retirement Association of Colorado Health Care Trust Fund June 30, 2022

	12/31/21	12/31/20	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability				
School's Proportion of the Net Pension Liability	0.0310643854%	0.0355632555%	0.0396435047%	0.0377388832%
School's Proportionate Share of the Net Pension Liability	\$ 267,870	\$ 337,931	\$ 445,592	\$ 513,453
School's Covered-Employee Payroll	\$ 2,973,432	\$ 3,288,698	\$ 3,564,578	\$ 3,191,833
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	9%	10%	13%	16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39%	33%	24%	17%
	6/30/22	6/30/21	6/30/20	6/30/19
School Contributions				
Statutorily Required Contribution	\$ 30,139	\$ 31,458	\$ 35,505	\$ 35,916
Contributions in Relation to the Statutorily Required Contribution	(30,139)	(31,458)	(35,505)	(35,916)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,954,830	\$ 3,084,121	\$ 3,480,879	\$ 3,521,169
Contributions as a Percentage of Covered-Employee Payroll	1.02%	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Community Leadership Academy, Inc.
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 6,090,000	\$ 5,667,800	\$ 5,688,513	\$ 20,713
Pupil Activities	1,500	3,200	4,087	887
Investment Income	7,500	1,100	12,000	10,900
Other	25,000	71,800	58,211	(13,589)
Total Local Sources	<u>6,124,000</u>	<u>5,743,900</u>	<u>5,762,811</u>	<u>18,911</u>
<i>State Sources</i>				
Mill Levy Equalization	210,000	304,300	272,084	(32,216)
At-Risk Funding	45,000	45,000	7,124	(37,876)
Capital Construction	245,000	201,300	199,776	(1,524)
Grants	311,500	231,100	443,321	212,221
Total State Sources	<u>811,500</u>	<u>781,700</u>	<u>922,305</u>	<u>140,605</u>
<i>Federal Sources</i>				
Grants	1,414,500	1,486,200	1,770,746	284,546
Total Revenues	<u>8,350,000</u>	<u>8,011,800</u>	<u>8,455,862</u>	<u>444,062</u>
Expenditures				
<i>Instruction</i>				
Salaries	2,285,000	2,030,500	1,776,699	253,801
Employee Benefits	876,500	780,900	638,786	142,114
Purchased Services	175,000	59,400	81,828	(22,428)
Supplies	331,000	268,400	458,156	(189,756)
Property	50,000	25,000	7,179	17,821
Other	-	-	-	-
Total Instruction	<u>3,717,500</u>	<u>3,164,200</u>	<u>2,962,648</u>	<u>201,552</u>
<i>Supporting Services</i>				
Salaries	1,168,000	900,100	965,034	(64,934)
Employee Benefits	396,000	306,200	325,879	(19,679)
Purchased Services	3,108,300	3,195,500	3,326,139	(130,639)
Supplies	338,200	290,300	287,235	3,065
Property	27,500	106,300	37,349	68,951
Other	24,500	26,400	7,208	19,192
Total Supporting Services	<u>\$ 5,062,500</u>	<u>\$ 4,824,800</u>	<u>\$ 4,948,844</u>	<u>\$ (124,044)</u>

(Continued)

Community Leadership Academy, Inc.
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2022
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)				
Food Service				
Salaries	\$ 185,000	\$ 180,000	\$ 182,399	\$ (2,399)
Employee Benefits	90,000	95,700	90,323	5,377
Purchased Services	15,000	15,000	24,571	(9,571)
Supplies	270,000	233,100	286,991	(53,891)
Total Food Service	<u>560,000</u>	<u>523,800</u>	<u>584,284</u>	<u>(60,484)</u>
Total Expenditures	<u>9,340,000</u>	<u>8,512,800</u>	<u>8,495,776</u>	<u>17,024</u>
Excess of Revenues Over Expenditures	(990,000)	(501,000)	(39,914)	461,086
Other Financing Sources (Uses)				
Transfers In	-	1,000	7,885	6,885
Net Change in Fund Balance	(990,000)	(500,000)	(32,029)	467,971
Fund Balance, Beginning of Year	<u>5,265,400</u>	<u>6,748,500</u>	<u>5,887,267</u>	<u>(861,233)</u>
Fund Balance, End of Year	<u>\$ 4,275,400</u>	<u>\$ 6,248,500</u>	<u>\$ 5,855,238</u>	<u>\$ (393,262)</u>

Community Leadership Academy, Inc.
Notes to Required Supplementary Information
June 30, 2022

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2022, the total pension liability was determined by an actuarial valuation as of December 31, 2020. The following revised economic and demographic assumptions were effective as of December 31, 2020.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at fiscal year-end.