

**COMMUNITY LEADERSHIP ACADEMY, INC.
COMMERCE CITY, COLORADO**

FINANCIAL STATEMENTS

June 30, 2023

COMMUNITY LEADERSHIP ACADEMY, INC.
TABLE OF CONTENTS
June 30, 2023

FINANCIAL SECTION

Independent Auditors' Report..... 1

Management's Discussion and Analysis i

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position..... 4
Statement of Activities 5

Governmental Funds Financial Statements

Balance Sheet 6
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position 7
Statement of Revenues, Expenditures and Changes in Fund Balances 8
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 9

Notes to the Financial Statements..... 10

Required Supplementary Information

Budgetary Comparison Schedule - General Fund 32
Schedule of Proportionate Share of the Net Pension Liability and Contributions 33
Schedule of Proportionate Share of the Net OPEB Liability and Contributions..... 34
Notes to the Required Supplementary Information 35

COMPLIANCE SECTION

Single Audit

Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 36

Independent Auditors' Report on Compliance for Each Major Federal Program,
Internal Control over Compliance, and the Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance 37

Schedule of Findings and Questioned Costs 38

Schedule of Expenditures of Federal Awards 39

Notes to the Schedule of Expenditures of Federal Awards 40

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Leadership Academy, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Community Leadership Academy, Inc., as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Community Leadership Academy, Inc. as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 the Community Leadership Academy, Inc. 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Leadership Academy, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Board of Directors
Community Leadership Academy, Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 the Community Leadership Academy, Inc.'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 the Community Leadership Academy, Inc.'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 management's discussion and analysis and the required supplementary 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 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.

Board of Directors
Community Leadership Academy, Inc.

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.

DMC Auditing and Consulting, LLC

October 13, 2023
Bismarck, ND

COMMUNITY LEADERSHIP ACADEMY, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2023. 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 Post-employment 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, 2023 the net pension liability was \$264,795 compared to \$267,870 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, 2023 the net pension liability was \$7,778,496 compared to \$5,543,509 the prior year.

Deferred outflows increased to \$1,785,966 compared to \$1,011,531 the prior year. Deferred inflows decreased to \$1,650,368 compared to \$4,069,711 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 \$961,866.

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.

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, food service and debt service. 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.

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 10 through 31.

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 \$3,804,893 as of the close of the 2022-23 fiscal year compared to \$4,144,105 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 post-employment healthcare benefits as liabilities on its financial statement. The net pension liability at the end of the current fiscal year is \$7,778,496 compared to \$5,543,509 for 2022. The net OPEB liability at the end of the current fiscal year is \$264,795 compared to \$267,870 for 2022.

Statement of Net Position Governmental Activities

	30-Jun-23	30-Jun-22	Net Change
Current and other assets	\$ 9,065,492	\$ 9,807,693	\$ (742,201)
Capital assets	\$ 18,330,985	\$ 18,495,335	\$ (164,350)
TOTAL ASSETS	\$ 27,396,477	\$ 28,303,028	\$ (906,551)
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,785,966	\$ 1,011,531	\$ 774,435
Current liabilities	\$ 1,124,117	\$ 1,094,377	\$ 29,740
Other liabilities	\$ 30,212,851	\$ 28,294,576	\$ 1,918,275
TOTAL LIABILITIES	\$ 31,336,968	\$ 29,388,953	\$ 1,948,015
DEFERRED INFLOWS OF RESOURCES	\$ 1,650,368	\$ 4,069,711	\$ (2,419,343)
Net Position			
Net Investment in Capital Assets	\$ (3,838,575)	\$ (3,987,862)	\$ 149,287
Restricted for Debt Service	\$ 2,737,517	\$ 3,399,416	\$ (661,899)
Restricted for Repairs & Replacement	\$ 160,512	\$ 166,087	\$ (5,575)
Restricted for Emergencies	\$ 250,000	\$ 210,000	\$ 40,000
Unrestricted	\$ (3,114,347)	\$ (3,931,746)	\$ 817,399
TOTAL NET POSITION	\$ (3,804,893)	\$ (4,144,105)	\$ 339,212

Cash and investments make up 31.2% of the Academy's total assets of which 42% 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 61.9% of total assets. The remaining assets, primarily grants receivable, make up 1.9% of total assets. Overall total assets decreased \$906,511 due to depreciation of capital assets and decline in cash and investments and grants receivable.

Overall total deferred outflow of resources increased \$774,435 from \$1,011,531 for 2022 to \$1,785,966 for 2023. Deferred inflow of resources decreased \$2,419,343 from \$4,069,711 for 2022 to \$1,650,368 for 2023.

Current liabilities increased by \$29,740 which is the net result of a decrease in accounts payable and increase in accrued payroll. Other liabilities decreased by \$1,918,275 primarily due to the changes to pension and OPEB liabilities and principal paid on outstanding debt.

Community Leadership Academy, Inc.
Statement of Activities
For the Years Ended June 30, 2023 and June 30, 2022

	<u>30-Jun-23</u>	<u>30-Jun-22</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 8,978	\$ 4,087	\$ 4,891
Grants & Contributions	\$ 1,896,903	\$ 2,413,843	\$ (516,940)
Total Program Revenue	<u>\$ 1,905,881</u>	<u>\$ 2,417,930</u>	<u>\$ (512,049)</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 6,427,658	\$ 5,688,513	\$ 739,145
At-Risk Supplemental Aid	\$ 8,947	\$ 7,124	\$ 1,823
Mill Levy Equalization	\$ 499,021	\$ 272,084	\$ 226,937
Investment Income	\$ 283,553	\$ 16,675	\$ 266,878
Other	\$ 73,855	\$ 58,211	\$ 15,644
Total General Revenue	<u>\$ 7,293,034</u>	<u>\$ 6,042,607</u>	<u>\$ 1,250,427</u>
Total Revenue	<u>\$ 9,198,915</u>	<u>\$ 8,460,537</u>	<u>\$ 738,378</u>
Expenses:			
Current:			
Instruction	\$ 2,963,739	\$ 1,083,572	\$ 1,880,167
Supporting Services	\$ 3,760,757	\$ 2,279,283	\$ 1,481,474
Food Service	\$ 560,997	\$ 584,284	\$ (23,287)
Interest on Long-term Debt	\$ 1,574,210	\$ 1,595,858	\$ (21,648)
Total Expenses	<u>\$ 8,859,703</u>	<u>\$ 5,542,997</u>	<u>\$ 3,316,706</u>
CHANGE IN NET POSITION	\$ 339,212	\$ 2,917,540	\$ (2,578,328)
NET POSTION, Beginning	\$ (4,144,105)	\$ (7,061,645)	\$ 2,917,540
NET POSTION, Ending	<u>\$ (3,804,893)</u>	<u>\$ (4,144,105)</u>	<u>\$ 339,212</u>

Total revenue increased \$738,378 which is the net impact of increases from investment income, per pupil revenue and mill levy equalization offset by a \$516,940 decrease to grants revenue as a result of elimination of pandemic driven recovery grants. Per pupil revenue increased \$739,145 due to an increase to per pupil operating revenue from the State by \$1,025 offset by a decrease in the number of students by 12. Mill levy

equalization, which is in the fourth year of funding increased from \$272,084 for 2022 to \$499,021 for 2023. Investment income increased from \$16,675 in 2022 to \$283,553 in 2023 due to significant increases in earnings rates. Other revenue increased \$15,644 primarily due to \$27,540 distributed from ERATE toward telecommunications costs.

Overall expenses increased \$3,316,706 of which \$1,929,019 is related to the change in pension and OPEB liabilities, inflows, outflows and related pension expense recognized under GASB 68 and 75. The current year net decrease was \$961,866 compared to the prior year pension related net decrease of \$2,890,885. Salary and benefit costs increased \$1,046,621 as salary schedules were increased to compete for staff in high demand due to workforce shortages. Related benefits increase in proportion to the increases to salaries and number of staff that choose health insurance benefits. Purchased services increased \$328,166 due in part to costs related to an attempt to refinance debt to take advantage of lower interest rates and increase professional development for novice teachers. Instructional expenses increased by \$1,880,167 while supporting services expenses increased by \$1,481,474. Food Service costs driven by the number of meals served decreased \$23,287.

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.

As of the end of the current fiscal year, the Academy reported fund balance in its general fund of \$5,043,346 compared to \$5,855,238 the prior year, which is a decrease of \$811,892 compared to a decrease of \$32,029 the prior year. The decrease was due to expenditures related a major safety and security project and an unsuccessful attempt to refinance debt to reduce interest rates and loss of post-pandemic mitigation funding.

The Building Corporations are reported as special revenue funds combined with the general fund when reporting total governmental operations. As of the end of the current fiscal year, the fund balance for Building Corporation I is \$1,187,816 compared to \$1,180,151 at the end of the prior fiscal year, an increase of \$7,665. Building Corporation II reported a fund balance of \$2,401,083 as of the end of the current fiscal year compared to \$2,378,474 the prior year, an increase of \$22,609.

Governmental Fund revenue for FY 2021-22 was \$10,369,566 compared to \$11,107,657 for the current year, which includes revenue from the building corporations totaling \$2,013,586. Revenue from general operations increased \$638,206 primarily due to increases in State Finance Act revenue.

Per pupil funding increased from \$9,521 to \$10,545 while enrollment decreased by 12 students producing a net increase in State Finance Act revenue of \$739,145. School finance revenue makes up 70% of the Academy's general fund operating revenue. Other state and local funding increased \$336,124 due to significantly improved interest earnings rates and increased state paid contributions to PERA. Federal grants decreased \$437,063 due to lapsed funding for COVID relief and lost learning recovery efforts.

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 2022-23 the budget was amended to reduce appropriations and increase use of reserves by \$250,000 from \$500,000 to \$750,000 in the amended budget. Expected revenue decreased \$390,400 due to enrollment of 70 fewer students offset by increases to interest earnings and mill levy equalization funding. Budgeted expenditures were decreased \$140,900. At year end it was discovered that \$240,000 expected from mitigation funding which was typically received in late April would not be forthcoming. Even with estimated cost savings the anticipated use of reserves was expected to increase from \$750,000 to \$900,000 so a final authorization resolution was approved.

The majority of Academy spending in the General Fund is for salaries and benefits at 50.3% of total expenditures for 2022-23 compared to 46.9% the prior year due to improved salary schedules to attract and retain teachers and other instructional staff. Facility lease fees make up 19.1% of total expenditures in 2022-23 compared to 22.5% the prior year. Other purchased services make up 18.3% of total expenditures compared to 17.7% 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 9.6% of total expenditures for 2022-23 compared to 12.2% the prior year when reading, language arts and math textbooks and materials totaling over \$300,000 were purchased. Remaining expenditures are primarily for acquisition of capital assets including computers and other equipment.

Total revenues in the General Fund were \$256,996 more than expected primarily due to unexpected increase in per pupil funding. Expenditures exceeded budgets by \$318,888 due in part to increased PERA contributions from the State required to be reported on the school's financial statements and year-end purchases of textbooks and professional development from grants. Expenditures did not exceed appropriations since all but 15% of reserves are appropriated for potential use if needed. The use of reserves totaled \$811,892 which is less than the \$900,000 authorized by the board.

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, 2023. Equipment totaled

\$284,093. The net carrying value of Building Corporation I capital assets after subtracting accumulated depreciation is \$6,595,823.

Building Corporation II owns land with a carrying value of \$750,000 and buildings and improvements capitalized at \$11,975,345 at June 30, 2023. Equipment totaled \$306,956. The net carrying value of Building Corporation II capital assets after subtracting accumulated depreciation is \$11,540,940.

Other general capital assets include equipment totaling \$433,615 with accumulated depreciation of \$239,391 resulting in carrying value at June 30, 2023 of \$194,223. Equipment additions totaled \$124,038 for enhanced security systems at both schools and snow removal equipment.

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% and 10.8% for 2022-23 to restore funding lost during the pandemic, eliminate the negative adjustment from recession years 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.

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 \$671,725 for Building Corporation I and \$1,237,017 for Building Corporation II. The economic impact of COVID on both enrollment and per pupil funding 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 \$9,521 per student. Funding for 2022-23 increased 10.8% to further reduce the negative growth factor in the funding formula. Funding for 2023-24 is expected to increase 7.5% bringing of approximately \$11,340 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 86.5% 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, 2023

	<u>PRIMARY</u> <u>GOVERNMENT</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 4,955,802
Restricted Cash and Investments	3,588,899
Accounts Receivable	125,573
Grants Receivable	382,240
Inventories	12,978
Capital Assets, <i>Not Being Depreciated</i>	1,570,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>16,760,985</u>
 TOTAL ASSETS	 <u>27,396,477</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	1,727,482
OPEB, <i>Net of Accumulated Amortization</i>	<u>58,484</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>1,785,966</u>
LIABILITIES	
Accounts Payable	34,954
Accrued Salaries and Benefits	385,268
Accrued Interest Payable	690,870
Unearned Revenue	13,025
Noncurrent Liabilities	
Due Within One Year	335,000
Due in More Than One Year	21,834,560
Net Pension Liability	7,778,496
Net OPEB Liability	<u>264,795</u>
 TOTAL LIABILITIES	 <u>31,336,968</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	1,511,053
OPEB, <i>Net of Accumulated Amortization</i>	<u>139,315</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>1,650,368</u>
NET POSITION	
Net Investment in Capital Assets	(3,838,575)
Restricted for:	
Debt Service	2,737,517
Repair and Replacement	160,512
Emergencies	250,000
Unrestricted	<u>(3,114,347)</u>
 TOTAL NET POSITION	 <u>\$ (3,804,893)</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND IN NET POSITION PRIMARY
PRIMARY GOVERNMENT	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental Activities				
Instruction	\$ 2,963,739	\$ 1,781	\$ -	\$ (1,899,749)
Supporting Services	3,760,757	-	214,289	(3,326,562)
Food Service	560,997	7,197	-	(153,301)
Interest on Long-Term Debt	<u>1,574,210</u>	-	-	<u>(1,574,210)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,859,703</u>	<u>\$ 8,978</u>	<u>\$ 214,289</u>	<u>(6,953,822)</u>
GENERAL REVENUES				
Per Pupil Revenue				6,427,658
Mill Levy Equalization				499,021
Additional At-Risk Funding				8,947
Investment Income				283,553
Other				<u>73,855</u>
TOTAL GENERAL REVENUES				<u>7,293,034</u>
CHANGE IN NET POSITION				339,212
NET POSITION, Beginning, As Restated				<u>(4,144,105)</u>
NET POSITION, Ending				<u>\$ (3,804,893)</u>

COMMUNITY LEADERSHIP ACADEMY, INC.

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	<u>GENERAL</u>	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 4,955,802	\$ -	\$ -	\$ 4,955,802
Restricted Cash and Investments	-	1,187,816	2,401,083	3,588,899
Accounts Receivable	125,573	-	-	125,573
Grants Receivable	382,240	-	-	382,240
Inventories	<u>12,978</u>	<u>-</u>	<u>-</u>	<u>12,978</u>
TOTAL ASSETS	<u>\$ 5,476,593</u>	<u>\$ 1,187,816</u>	<u>\$ 2,401,083</u>	<u>\$ 9,065,492</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 34,954	\$ -	\$ -	\$ 34,954
Accrued Salaries and Benefits	385,268	-	-	385,268
Deferred Revenue	<u>13,025</u>	<u>-</u>	<u>-</u>	<u>13,025</u>
TOTAL LIABILITIES	<u>433,247</u>	<u>-</u>	<u>-</u>	<u>433,247</u>
FUND BALANCES				
Nonspendable Inventories	12,978	-	-	12,978
Restricted for:				
Debt Service	-	1,131,606	2,296,781	3,428,387
Repair and Replacement	-	56,210	104,302	160,512
Emergencies	250,000	-	-	250,000
Unassigned	<u>4,780,368</u>	<u>-</u>	<u>-</u>	<u>4,780,368</u>
TOTAL FUND BALANCES	<u>5,043,346</u>	<u>1,187,816</u>	<u>2,401,083</u>	<u>8,632,245</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,476,593</u>	<u>\$ 1,187,816</u>	<u>\$ 2,401,083</u>	<u>\$ 9,065,492</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total Fund Balances of Governmental Funds	\$	8,632,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		18,330,985
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		(690,870)
Bonds Payable		(22,169,560)
Net Pension Liability		(7,778,496)
Pension-Related Deferred Outflows of Resources		1,727,482
Pension-Related Deferred Inflows of Resources		(1,511,053)
Net OPEB Liability		(264,795)
OPEB-Related Deferred Outflows of Resources		58,484
OPEB-Related Deferred Inflows of Resources		<u>(139,315)</u>
Total Net Position of Governmental Activities	\$	<u><u>(3,804,893)</u></u>

COMMUNITY LEADERSHIP ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	<u>GENERAL</u>	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 6,682,003	\$ 704,744	\$ 1,308,842	\$ 8,695,589
State Sources	1,478,884	-	-	1,478,884
Federal Sources	933,184	-	-	933,184
	<u>9,094,071</u>	<u>704,744</u>	<u>1,308,842</u>	<u>11,107,657</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Instruction	3,533,094	-	-	3,533,094
Supporting Services	5,842,631	-	-	5,842,631
Food Service	614,663	-	-	614,663
Debt Service				
Principal	-	235,000	80,000	315,000
Interest	-	429,069	1,154,818	1,583,887
	<u>9,990,388</u>	<u>664,069</u>	<u>1,234,818</u>	<u>11,889,275</u>
TOTAL EXPENDITURES				
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(896,317)</u>	<u>40,675</u>	<u>74,024</u>	<u>(781,618)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	84,425	-	-	84,425
Transfers Out	-	(33,010)	(51,415)	(84,425)
	<u>84,425</u>	<u>(33,010)</u>	<u>(51,415)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
CHANGE IN FUND BALANCES	(811,892)	7,665	22,609	(781,618)
FUND BALANCES, Beginning	<u>5,855,238</u>	<u>1,180,151</u>	<u>2,378,474</u>	<u>9,413,863</u>
FUND BALANCES, Ending	<u>\$ 5,043,346</u>	<u>\$ 1,187,816</u>	<u>\$ 2,401,083</u>	<u>\$ 8,632,245</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances of Governmental Funds	\$	(781,618)
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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 expense:

Depreciation expense		(288,388)
Capital outlay		124,038

The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		315,000
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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. This is the effect of these differences in the treatment of long-term debt and related items, including amortization expense related to loan discount.		(1,363)
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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 the changes in the following:

Accrued Interest Payable		9,677
Net Pension Liability		(2,234,987)
Pension-Related Deferred Outflows of Resources		751,511
Pension-Related Deferred Inflows of Resources		2,422,876
Net OPEB Liability		3,075
OPEB-Related Deferred Outflows of Resources		22,924
OPEB-Related Deferred Inflows of Resources		<u>(3,533)</u>

Change in Net Position of Governmental Activities	\$	<u><u>339,212</u></u>
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COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 to authorize the School pursuant to State statutes. 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 applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School's significant policies.

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 if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the Community Leadership Academy Building Corporation (the "Corporation") and the 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 infrastructure and related support to the School. The Corporation and the Corporation II are blended into the School's financial statements as special revenue funds, and do not issue separate financial statements. The financial statements of the School do not include any separately administered organizations.

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 financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for the governmental funds. Major individual governmental funds and other significant funds identified by management are reported as separate columns in the fund financial statements.

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

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

The School reports two major special revenue funds, as follows:

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. The School considers all other revenues to be available if they are collected within 180 days of the end of the current year.

Intergovernmental revenues, grants, and interest 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.

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

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Cash and Investments – 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.

Inventories - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are stated at cost on a first-in, first-out (FIFO) basis, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

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

Accrued Salaries and Benefits - Salaries and retirement benefits are paid 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 in the financial statements.

Unearned Revenue - Unearned revenue includes grants received before eligibility requirements established by the provider have been met.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Pensions - The School participates in the School Division Trust Fund (SDTF), 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, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances 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.

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.

NOTE 2: Cash and Investments

At June 30, 2023, the School had the following cash and investments:

Cash on Hand	\$	100
Deposits		402,303
Investments		8,142,298
Total	\$	<u>8,544,701</u>

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

Cash and Investments	\$	4,955,802
Restricted Cash and Investments		3,588,899
Total	\$	<u>8,544,701</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires 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. At June 30, 2023, the School had bank deposits of \$218,195 collateralized with securities held by the financial institution's agent but not in the School's name.

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

Fair Value Measurements - At June 30, 2023, the School's investments in the local government investment pool reported at the net asset value per share.

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.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

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.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2023, the School had \$4,479,109 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation and the Corporation II had \$1,187,816 and \$2,401,083, 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. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are reported at the net asset value per share, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Investments of \$1,187,816 and \$2,401,083 have been restricted by the Corporation and the Corporation II, respectively, for future debt service and building repair and replacement.

NOTE 3: Interfund Balances and Transfers

During the year ended June 30, 2023, the Corporation and the Corporation II transferred excess funds of \$33,010 and \$51,415, respectively, to the General Fund.

NOTE 4: Capital Assets

Capital asset activity for the year ended June 30, 2023, is summarized below.

	Balances 6/30/2022	Additions	Deletions	Balances 6/30/2023
Governmental Activities				
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	900,626	124,038	-	1,024,664
Total Capital Assets, Being Depreciated	19,743,890	124,038	-	19,867,928
Less Accumulated Depreciation:				
Buildings and Improvements	(2,134,508)	(214,455)	-	(2,348,963)
Equipment	(684,047)	(73,933)	-	(757,980)
Total Accumulated Depreciation	(2,818,555)	(288,388)	-	(3,106,943)
Total Capital Assets, Being Depreciated, Net	16,925,335	(164,350)	-	16,760,985
Governmental Activities Capital Assets, Net	<u>\$ 18,495,335</u>	<u>\$ (164,350)</u>	<u>\$ -</u>	<u>\$ 18,330,985</u>

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2023.

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due in One Year
Governmental Activities					
2008 Loan	\$ 6,790,000	\$ -	\$ 235,000	\$ 6,555,000	\$ 250,000
2008 Discount	(21,803)	-	(1,363)	(20,440)	-
2013 Loan	15,715,000	-	80,000	15,635,000	85,000
Total	<u>\$ 22,483,197</u>	<u>\$ -</u>	<u>\$ 313,637</u>	<u>\$ 22,169,560</u>	<u>\$ 335,000</u>

In 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 lease payments to the Corporation for use of the building. The Corporation is required to make equal loan payments to 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.

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 2048.

Bond payments to maturity are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 335,000	\$ 1,562,956	\$ 1,897,956
2025	360,000	1,540,562	1,900,562
2026	380,000	1,516,706	1,896,706
2027	405,000	1,491,387	1,896,387
2028	435,000	1,464,274	1,899,274
2029-2033	2,620,000	6,842,484	9,462,484
2034-2038	3,620,000	5,810,531	9,430,531
2039-2043	5,050,000	4,317,791	9,367,791
2044-2048	7,205,000	2,081,469	9,286,469
2049	1,780,000	66,305	1,846,305
Total	<u>\$ 22,190,000</u>	<u>\$ 26,694,465</u>	<u>\$ 48,884,465</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6: 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 participates in the Colorado School Schools Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The School pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that 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 7: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over five years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

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 CRS Subject to the automatic adjustment provision (AAP) under CRS § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, 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). The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in CRS § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contribution provisions as of June 30, 2023 - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 12% for the period from July 1, 2021, through June 30, 2023. The School's contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The School's contributions to the SDTF for the year ended June 30, 2023, were \$739,290, equal to the required contributions.

At June 30, 2023, the School reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School. The amount recognized by the School as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 7,778,496
State's proportionate share of the net pension liability associated with the School	2,266,732
Total	\$ 10,045,228

The net pension liability was measured at December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total pension liability to December 31, 2022.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers and the state as a nonemployer contributing entity. At December 31, 2022, the School's proportion was 0.0427167735%, which was a decrease of 0.0049186509% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of (\$133,245) and a revenue of (\$193,294) representing support from the state as a nonemployer contributing entity. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,615	\$ -
Changes of assumptions and other inputs	137,783	-
Net difference between projected and actual earnings on plan investments	1,044,939	-
Changes in proportion	100,667	1,511,053
Contributions subsequent to the measurement date	370,478	-
Total	\$ 1,727,482	\$ 1,511,053

School contributions subsequent to the measurement date of \$370,478 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:

Year Ended June 30,

2024	\$ (772,266)
2025	(297,201)
2026	307,624
2027	607,794
Total	\$ (154,049)

Actuarial Assumptions - The actuarial valuation as of December 31, 2021, determined the total pension liability using the following actuarial assumptions and other inputs.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

	<u>Assumptions</u>
Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	
thereafter, compounded annually	1.00%
Hired after 12/31/07	ad hoc

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: 1) 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 and 2) 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 were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) 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 and 2) 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.

Disabled mortality assumptions 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 actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, 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 THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

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

The PERA Board first adopted the 7.25% 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	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

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 of 7.25%.

Discount Rate - The discount rate used to measure the total pension liability 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%.
- School 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 participants were used to reduce the estimated amount of total service costs for future plan members.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

- School 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. School contributions also include 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 School contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, School contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- As specified in law, the state, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, commencing July 1, 2018, that is proportioned between the PERA Division Trust Funds, including SDTF, based upon the covered payroll. The annual direct distribution ceases when all PERA Division Trust Funds are fully funded.
- School contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan participant growth rate.
- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current participants. 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 total pension liability. 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.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7: Defined Benefit Pension Plan (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School's proportionate share of the net pension liability	\$ 10,179,376	\$ 7,778,496	\$ 5,773,516

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$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. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2023, was \$37,000, equal to the required amount.

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

At June 30, 2023, the School reported a net OPEB liability of \$264,795, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022.

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, 2022, relative to the contributions of all participating employers. At December 31, 2022, the School's proportion was 0.0324313455%, which was an increase of 0.0013669601% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of (\$9,477). At June 30, 2023, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 35	\$ 64,037
Changes of assumptions and other inputs	4,256	29,225
Net difference between projected and actual earnings on plan investments	16,174	-
Changes in proportion	19,716	46,053
Contributions subsequent to the measurement date	<u>18,303</u>	<u>-</u>
Total	<u>\$ 58,484</u>	<u>\$ 139,315</u>

School contributions subsequent to the measurement date of \$18,303 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:

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

Year Ended June 30,

2024	\$ (34,001)
2025	(31,785)
2026	(18,128)
2027	(8,284)
2028	(5,978)
2029	<u>(958)</u>
Total	<u>\$ (99,134)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2021, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
6.5% in 2022, gradually decreasing to 4.5% in 2030	
Medicare Part A premiums:	
3.75% in 2022, gradually increasing to 4.5% in 2029	

The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under Title 24, Article 51, Section 313 of the C.R.S., of Tri-County Health Department, effective December 31, 2022. As of December 31, 2022, no disaffiliation payment associated with Tri-County Health was received, and, therefore, no disaffiliation amounts were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capital health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

Sample Age	MAPD PPO #1 with Medicare Part A for Retiree/Spouse		MAPD PPO #2 with Medicare Part A for Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A for Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,704	\$ 1,450	\$ 583	\$ 496	\$ 1,923	\$ 1,634
70	\$ 1,976	\$ 1,561	\$ 676	\$ 534	\$ 2,229	\$ 1,761
75	\$ 2,128	\$ 1,681	\$ 728	\$ 575	\$ 2,401	\$ 1,896

Sample Age	MAPD PPO #1 without Medicare Part A for Retiree/Spouse		MAPD PPO #2 without Medicare Part A for Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A for Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,704	\$ 1,450	\$ 583	\$ 496	\$ 1,923	\$ 1,634
70	\$ 1,976	\$ 1,561	\$ 676	\$ 534	\$ 2,229	\$ 1,761
75	\$ 2,128	\$ 1,681	\$ 728	\$ 575	\$ 2,401	\$ 1,896

Age-Related Morbidity Assumptions		
Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

The 2022 Medicare Part A premium is \$499 (actual dollars) per month. All costs are subject to the health care cost trend rates.

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.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: 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 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, 2021, 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 total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (See Note 7).

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

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) 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 and 2) 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.

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

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. 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 2022 plan year. December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capital health care cost. As of the date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions. The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. Medicare Part A premiums with the prior valuation trend pattern.

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, 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.

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 weighing 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 in the table as follows:

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

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

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%.

Sensitivity of the School proportionate share of the net OPEB liability to change in the Health Care Cost Trend Rates – The following presents the net OPEB liability using the current health care trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current rates:

	1% Decrease (6.25%)	Current Trend Rates (7.25%)	1% Increase (8.25%)
Initial PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 257,300	\$ 264,795	\$ 272,950

Discount rate - The discount rate used to measure the total OPEB liability 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, 2022, 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.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

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

Based on the above assumptions and methods, the HCTF’s fiduciary net position 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 total OPEB liability. 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 the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 306,976	\$ 264,795	\$ 228,717

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF’s fiduciary net position is available in PERA’s separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. At June 30, 2023, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

COMMUNITY LEADERSHIP ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 9: Commitments and Contingencies (Continued)

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. The School is subject to the Amendment. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment.

The Amendment requires the School to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2023, the School's emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$250,000.

Litigation

The School from time to time is involved in various legal matters. In the opinion of the School's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the School.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY LEADERSHIP ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2023

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources	\$ 6,913,500	\$ 6,341,200	\$ 6,682,003	\$ 340,803
State Grants	1,531,000	1,630,400	1,478,884	(151,516)
Federal Grants	867,900	890,100	933,184	43,084
TOTAL REVENUES	9,312,400	8,861,700	9,094,071	232,371
EXPENDITURES				
Current				
Instruction	3,685,300	3,307,200	3,533,094	(225,894)
Supporting Services				
Students	305,600	292,200	261,738	30,462
Instructional Staff	481,100	603,700	624,999	(21,299)
General Administration	256,000	374,900	325,856	49,044
School Administration	493,500	370,500	391,805	(21,305)
Business Services	160,200	169,400	184,212	(14,812)
Operations and Maintenance	2,701,200	2,761,600	2,813,397	(51,797)
Student Transportation	364,100	343,700	368,884	(25,184)
Central Support	803,100	862,000	871,740	(9,740)
Total Supporting Services	5,564,800	5,778,000	5,842,631	(64,631)
Food Service	562,300	586,300	614,663	(28,363)
Contingency	3,836,300	3,705,200	-	3,705,200
TOTAL EXPENDITURES	13,648,700	13,376,700	9,990,388	3,386,312
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,336,300)	(4,515,000)	(896,317)	3,618,683
OTHER FINANCING SOURCES (USES)				
Transfers In	-	59,800	84,425	24,625
CHANGE IN FUND BALANCE	(4,336,300)	(4,455,200)	(811,892)	3,643,308
FUND BALANCE, Beginning	5,736,300	5,855,200	5,855,238	38
FUND BALANCE, Ending	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 5,043,346</u>	<u>\$ 3,643,346</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 2023

	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
School's Proportion of the Net Pension Liability	0.0427167735%	0.0476354244%	0.0614465902%	0.0606475935%	0.0580593321%	0.0661741371%	0.0671022949%	0.0640820292%	0.0579476004%
School's Proportionate Share of the Net Pension Liability	\$ 7,778,496	\$ 5,543,509	\$ 9,168,693	\$ 9,060,619	\$ 10,280,597	\$ 21,398,364	\$ 19,978,948	\$ 9,800,894	\$ 7,853,846
State's Proportionate Share of the Net Pension Liability Pension Liability Associated with the School	<u>2,266,732</u>	<u>3,745,976</u>	<u>-</u>	<u>3,074,863</u>	<u>3,964,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability	<u>10,045,228</u>	<u>9,289,485</u>	<u>9,168,693</u>	<u>12,135,482</u>	<u>14,245,503</u>	<u>21,398,364</u>	<u>19,978,948</u>	<u>9,800,894</u>	<u>7,853,846</u>
School's Covered Payroll	\$ 3,291,020	\$ 2,973,432	\$ 3,288,698	\$ 3,564,578	\$ 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 Payroll	236%	186%	279%	254%	322%	701%	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%	57%	44%	43%	59%	63%
School Contributions									
Statutorily Required Contribution	\$ 739,290	\$ 587,422	\$ 613,125	\$ 665,893	\$ 673,598	\$ 566,082	\$ 433,864	\$ 523,083	\$ 433,208
Contributions in Relation to the Statutorily Required Contribution	<u>(739,290)</u>	<u>(587,422)</u>	<u>(613,125)</u>	<u>(665,893)</u>	<u>(673,598)</u>	<u>(566,082)</u>	<u>(433,864)</u>	<u>(523,083)</u>	<u>(433,208)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,627,521	\$ 2,954,830	\$ 3,084,121	\$ 3,480,879	\$ 3,521,169	\$ 2,998,435	\$ 2,360,708	\$ 2,950,423	\$ 2,625,539
Contributions as a Percentage of Covered Payroll	20.38%	19.88%	19.88%	19.13%	19.13%	18.88%	18.38%	17.73%	16.50%

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.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO HEALTH CARE TRUST FUND
June 30, 2023

	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY						
School's Proportion of the Net OPEB Liability	0.0324313455%	0.0310643854%	0.0355632555%	0.0396435047%	0.0377388832%	0.0375998993%
School's Proportionate Share of the Net OPEB Liability	\$ 264,795	\$ 267,870	\$ 337,931	\$ 445,592	\$ 513,453	\$ 488,648
School's Covered Payroll	\$ 3,291,020	\$ 2,973,432	\$ 3,288,698	\$ 3,564,578	\$ 3,191,833	\$ 3,052,535
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	9%	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	39%	33%	24%	17%	18%
	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School's Contributions						
Statutorily Required Contribution	\$ 37,000	\$ 30,139	\$ 31,458	\$ 35,505	\$ 35,916	\$ 30,584
Contributions in Relation to the Statutorily Required Contribution	<u>(37,000)</u>	<u>(30,139)</u>	<u>(31,458)</u>	<u>(35,505)</u>	<u>(35,916)</u>	<u>(30,584)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,627,521	\$ 2,954,830	\$ 3,084,121	\$ 3,480,879	\$ 3,521,169	\$ 2,998,435
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	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.
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

NOTE 1: Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted for all funds 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.

NOTE 2: Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Changes in Assumptions and Other Inputs

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the total OPEB liability, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

COMPLIANCE SECTION

SINGLE AUDIT

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Leadership Academy, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of Community Leadership Academy, Inc., and have issued our report thereon dated October 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Leadership Academy, Inc.'s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, report on, but not for the purpose of expressing an opinion on the effectiveness of Community Leadership Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Leadership Academy, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Community Leadership Academy, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of Community Leadership Academy, Inc.'s internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Leadership Academy, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Community Leadership Academy, Inc.

Purpose of this Report

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

DMC Auditing and Consulting, LLC

October 13, 2023
Bismarck, ND

**Independent Auditors' Report on Compliance for Each
Major Federal Program, Internal Control over Compliance,
and the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Leadership Academy, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Community Leadership Academy, Inc.'s major federal programs for the year ended June 30, 2023. Community Leadership Academy, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Leadership Academy, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Leadership Academy, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Community Leadership Academy, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Community Leadership Academy, Inc.'s federal programs.

Board of Directors
Community Leadership Academy, Inc.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Community Leadership Academy, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Leadership Academy, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Community Leadership Academy, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Leadership Academy, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Community Leadership Academy, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Community Leadership Academy, Inc.

Our consideration of Community Leadership Academy, Inc.'s internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Leadership Academy, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of Community Leadership Academy, Inc. We issued our report thereon dated November 14, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Community Leadership Academy, Inc.'s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DMC Auditing and Consulting, LLC

October 13, 2023
Bismarck, ND

COMMUNITY LEADERSHIP ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
84.425D	Education Stabilization Fund
84.425U	Education Stabilization Fund

Dollar threshold used to distinguish Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II: FINANCIAL STATEMENT FINDINGS

No current year findings or questioned costs were reported.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No current year findings or questioned costs were reported.

COMMUNITY LEADERSHIP ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
Title I	84.010	4010,5010,6010	\$ 191,321
Title I Homeless	84.196	4010,5010,6010	2,793
English Language Acquisition	84.365	4365	20,977
Supporting Effective Instruction	84.367	4367	4,798
Parent Involvement	84.310	9211	3,021
Comprehensive Literacy State Development	84.371C	5371	<u>176,273</u>
<i>Special Education Cluster (IDEA)</i>			
Individuals with Disabilities Education Act (IDEA)	84.027	9027	42,444
Individuals with Disabilities Education Act (IDEA) Preschool	84.173	6027	<u>10,522</u>
<i>Special Education Cluster (IDEA) Total</i>			<u>52,966</u>
<i>Education Stabilization Fund Cluster</i>			
COVID-19 Education Stabilization Fund (ESSER III)	84.425U	4435	172,985
COVID-19 Education Stabilization Fund (ESSER) - Curriculum	84.425U	4431	11,584
ESSER II (EWP - Education Workforce Program)	84.425D	4430	90,076
ESSER II (ETAG - Transportation Assistance)	84.425D	4439	<u>83,359</u>
<i>Education Stabilization Fund Cluster Total</i>			<u>358,004</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>810,153</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education			
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	7354	97,404
<i>Child Care Disaster Relief Cluster</i>			
Child Care and Development Block Grant	93.575	7575	<u>25,627</u>
<i>Child Care Disaster Relief Cluster Total</i>			<u>25,627</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>123,031</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 933,184</u>

COMMUNITY LEADERSHIP ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The School does not charge a de minimis indirect cost rate. Because the schedule presents only a selected portion of the operations of Community Leadership Academy, Inc., it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of Community Leadership Academy, Inc.