

EARLY COLLEGE OF ARVADA

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2025

EARLY COLLEGE OF ARVADA
TABLE OF CONTENTS
JUNE 30, 2025

	Page
Independent Auditors' Report	<i>ii</i>
Management Discussion and Analysis	<i>v</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7
Required Supplementary Information:	
Budget and Actual—General Fund	17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Early College of Arvada

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Early College of Arvada as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Early College of Arvada's basic financial statements 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 and each major fund of the Early College of Arvada, as of June 30, 2025 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Early College of Arvada 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, on December 11, 2023 the Colorado Charter School Institute informed the School that it was not renewing its charter contract, resulting in the closing of the School following the end of the 2023-2024 fiscal year. The School's liquidation became imminent as of that date. As a result, Early College of Arvada changed its basis of accounting on December 11, 2023 from the going concern basis to a liquidation basis. Because Colorado Charter School Institute will receive any remaining funds through the dissolution, the going concern basis of accounting does not differ from the liquidation basis. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Early College of Arvada'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Early College of Arvada'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 Early College of Arvada'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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
July 31, 2025

EARLY COLLEGE HIGH SCHOOL AT ARVADA
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

Introduction

As management of Early College High School at Arvada (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financials.

Financial Highlights

The year ended June 30, 2025 was the last year of operations for ECHS. As of June 30, 2025, net position increased by \$4,446,367 to \$0. This reflects the closure of the school in FY2024 and the liquidation of final assets and liabilities in FY2025.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Colorado Charter School Institute). The governmental activities of the School include instruction and supporting services.

EARLY COLLEGE HIGH SCHOOL AT ARVADA
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

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 School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 School'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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 7-16.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Early College High School at Arvada, the schools closure and liquidation of assets and liabilities resulted in a net position of \$0 in FY 2024-2025.

EARLY COLLEGE HIGH SCHOOL AT ARVADA
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

Early College High School at Arvada's Net Position
Governmental and Business-Type Activities

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Cash and Investments	\$ -	\$ 782,983
Restricted Cash and Investments	-	308,001
Receivables, Prepaids and Deposits	-	144,369
Capital Assets	-	3,789,630
Total Assets	-	5,024,983
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	-	737,138
OPEB, Net of Accumulated Amortization	-	109,578
Current liabilities	-	360,965
Long-Term Debt	-	5,781,322
Net Pension Liability	-	3,541,123
Net OPEB Liability	-	85,504
Total Liabilities	-	9,768,914
Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	-	410,382
OPEB, Net of Accumulated Amortization	-	138,770
Net Position		
Net Investment in Capital Assets	-	(1,991,692)
Restricted for:		
Emergencies	-	106,000
Debt Service	-	105,132
Repairs and Maintenance	-	150,000
Unrestricted	-	(2,815,807)
Total Net Position	\$ -	\$(4,446,367)

EARLY COLLEGE HIGH SCHOOL AT ARVADA
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

Early College High School at Arvada's Change in Net Position
Governmental Activities

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Program Revenue:		
Charges for Services	\$ -	\$ 596,709
Operating Grants and Contributions	-	484,688
Capital Grants and Contributions	-	82,213
Total Program Revenue	-	1,163,610
General Revenue:		
Per Pupil Revenue	(10,776)	2,755,445
Mill Levy Revenue	-	265,868
Gain on Sale of Assets	2,560,370	-
Gain on Disposition of PERA/OPEB	3,329,064	-
Other	13,329	111,480
Total General Revenue	5,891,987	3,132,793
Total Revenue	5,891,987	4,296,403
Expenses:		
Current:		
Instruction	4,083	1,356,068
Supporting Services	1,418,252	2,513,710
Interest and Other Fiscal Activities	23,285	406,538
Total Expenses	1,445,620	4,276,316
Increase (Decrease) in Net Position	4,446,367	20,087
Beginning Net Position, June 30	\$ (4,446,367)	\$ (4,466,454)
Ending Net Position, June 30	\$ -	\$ (4,446,367)

Financial Analysis of the Government's Funds

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

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$0, a decrease of \$769,256 from prior year. As of the end of the current fiscal year, the Building Corporation reported an ending fund balance of \$0, a decrease of \$308,001 from prior year. This fund records the activity of the Early College High School at Arvada Building Corporation (the "Building Corporation"), created for the purpose of issuing and paying debt on behalf of the school.

General Fund Budgetary Highlights

The school board adopted a budget in October, 2024 to spend down all remaining funds, which included a payment of remaining balances to the school's authorizer, the Charter School Institute.

Economic Factors

On December 11, 2023, the school's authorizer, the Colorado Charter School Institute, voted to non-renew the school's charter after the 2023-2024 school year. The school discontinued operations on 7/1/2024 and the building was sold on 7/22/24 for \$6,350,000, which paid off all outstanding debt for facilities.

Requests for Information

This financial report is designed to provide a general overview of Early College High School at Arvada's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School's authorizer, the Colorado Charter School Institute:

Colorado Charter School Institute
c/o Early College of Arvada
1525 Sherman St., B76
Denver, CO 80203

BASIC FINANCIAL STATEMENTS

**EARLY COLLEGE OF ARVADA
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>Governmental Activities</u>
ASSETS	
Total Assets	\$ -
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	-
LIABILITIES	
Total Liabilities	-
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	-
NET POSITION	
Total Net Position	<u>\$ -</u>

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

**EARLY COLLEGE OF ARVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 4,083	\$ -	\$ -	\$ -	\$ (4,083)
Supporting services	1,418,252	-	-	-	(1,418,252)
Interest	23,285	-	-	-	(23,285)
Total governmental activities	<u>\$ 1,445,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,445,620)</u>
General revenues:					
Per pupil revenue					(10,776)
Unrestricted investment earnings					7,202
Gain on sale of assets					2,560,370
Gain on close out of PERA/OPEB activities					3,329,064
Miscellaneous					6,127
Total general revenues					<u>5,891,987</u>
Change in net position					4,446,367
Net position - beginning (deficit)					<u>(4,446,367)</u>
Net position - ending					<u>\$ -</u>

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

**EARLY COLLEGE OF ARVADA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	<u>General Fund</u>	<u>Building Corp Fund</u>	<u>Total</u>
ASSETS			
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE			
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**EARLY COLLEGE OF ARVADA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ <u> </u> -
Total Net Position of Governmental Activities	\$ <u><u> </u></u> -

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

EARLY COLLEGE OF ARVADA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Building Corp Fund	Total
REVENUES			
Local sources	\$ 12,939	\$ 390	\$ 13,329
State sources	(10,776)	-	(10,776)
	<u>2,163</u>	<u>390</u>	<u>2,553</u>
EXPENDITURES			
Instruction	4,083	-	4,083
Supporting services	906,886	447,687	1,354,573
Debt service:			
Interest	-	226,154	226,154
Principal	-	5,845,000	5,845,000
	<u>910,969</u>	<u>6,518,841</u>	<u>7,429,810</u>
Excess (deficiency) of revenues over expenditures	<u>(908,806)</u>	<u>(6,518,451)</u>	<u>(7,427,257)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	139,550	(139,550)	-
Sale of capital assets	-	6,350,000	6,350,000
	<u>139,550</u>	<u>6,210,450</u>	<u>6,350,000</u>
Net change in fund balance	(769,256)	(308,001)	(1,077,257)
Fund balance, beginning	<u>769,256</u>	<u>308,001</u>	<u>1,077,257</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**EARLY COLLEGE OF ARVADA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$ (1,077,257)
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In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or use and, thus, is not reported in the funds.

Sale of land and buildings	\$ (6,350,000)	
Gain on sale of assets	<u>2,560,370</u>	(3,789,630)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Loan principal payment	5,845,000
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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 the governmental funds.

Accrued interest on long-term debt	\$ 202,869	
Amortization of bond discount	(63,678)	
Gain on close out of PERA activities	3,214,367	
Gain on close out of OPEB activities	<u>114,696</u>	<u>3,468,254</u>

Change in Net Position of Governmental Activities	<u>\$ 4,446,367</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Early College of Arvada (the School) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

A. REPORTING ENTITY

The School was organized in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School operates under the oversight of the Colorado Charter School Institute (CSI) receives the majority of its funding through CSI.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units are, in substance, part of the School's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the School.

Blended component unit. Early College High School at Arvada Building Corporation (the Building Corp) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Building Corp is reported as a special revenue fund and does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by per pupil revenue and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments 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 service users 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

The emphasis of fund financial statements is on major funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 general government, except those required to be accounted for in another fund.

The *Building Corp Fund* is used to account for the financial activities of the Early College High School at Arvada Building Corporation, including facilities acquisition and construction and the accumulation of resources for the related debt service.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the School considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. 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. General capital asset acquisitions, including entering into contracts giving the School the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the School.

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE*

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

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

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$15,000 are reported as capital assets.

As the School constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other tangible and intangible assets of the School are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	7-30 years
Equipment	7-10 years

Deferred outflows/inflows of resources

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

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

Leases

Lessee: The School recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. ESTIMATES

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

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State law for all funds, except fiduciary funds. The Head of School submits a proposed budget to the Board of Directors for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the School and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Directors to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonably foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Head of School. Revisions that alter the total expenditures in any fund must be approved by the Board of Directors. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Directors.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the School budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Head of School and/or Board of Directors throughout the year. All appropriations lapse at the end of each fiscal year.

A budget was not adopted for the Building Corp fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial Credit Risk—deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2025 was \$0 and the bank balances were \$0.

**EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The School is authorized by Colorado statutes to invest in the following:

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

The School had no investments as of June 30, 2025.

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers

The composition of interfund transfers for the year ended June 30, 2025, is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ 139,550	\$ -
Building Corp Fund	<u> -</u>	<u> 139,550</u>
Total	<u>\$ 139,550</u>	<u>\$ 139,550</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,236,337	\$ -	\$ (7,236,337)	\$ -
Equipment	<u>214,527</u>	<u>-</u>	<u>(214,527)</u>	<u>-</u>
Total capital assets being depreciated	<u>7,450,864</u>	<u>-</u>	<u>(7,450,864)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,481,217)	-	3,481,217	-
Equipment	<u>(180,017)</u>	<u>-</u>	<u>180,017</u>	<u>-</u>
Total accumulated depreciation	<u>(3,661,234)</u>	<u>-</u>	<u>3,661,234</u>	<u>-</u>
Total capital assets being depreciated, net	<u>3,789,630</u>	<u>-</u>	<u>3,789,630</u>	<u>-</u>
Total governmental activities capital assets	<u>\$ 3,789,630</u>	<u>\$ -</u>	<u>\$ 3,789,630</u>	<u>\$ -</u>

NOTE 6 – LONG-TERM LIABILITIES

Building Loan

In June 2017, the Public Finance Authority (PFA) issued \$6,260,000 of Charter School Revenue Bonds, Series 2017A and 2017B. Proceeds from the bonds were loaned to the school under a lease agreement to provide funding to construct the School’s educational facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Corp. for using the facilities. The Building Corp. is required to make equal payments to the trustee, for payment of the bonds. Interest accrues a rate of 6.25% to 8.50% and is due semi-annually. Principal payments are due annually on July 1 through 2047. The loan was paid in full with the sale of the building on July 22, 2024.

Changes in the School’s long-term liabilities for the year ended June 30, 2025, are as follows:

	<u>Beginning Balance</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<i>Governmental Activities</i>					
Loan payable	\$ 5,845,000	\$ -	\$ (5,845,000)	\$ -	\$ -
Discount	<u>(63,678)</u>	<u>-</u>	<u>63,648</u>	<u>-</u>	<u>-</u>
Total loan payable	5,781,322	-	(5,781,322)	-	-
Net pension liability	3,541,123	-	(3,541,123)	-	-
Net OPEB liability	<u>85,504</u>	<u>-</u>	<u>(85,504)</u>	<u>-</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 9,407,949</u>	<u>\$ -</u>	<u>\$ (9,407,949)</u>	<u>\$ -</u>	<u>\$ -</u>

EARLY COLLEGE OF ARVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Loans are liquidated in the Building Corp fund. All other long-term liabilities are liquidated in the General fund.

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 8 – SCHOOL CLOSING

On December 11, 2023, the School was notified by Colorado Charter School Institute (CSI) that its charter contract would not be renewed. As a result, the School announced its closure as of the end of the 2023-2024 school year.

On July 22, 2024 the School sold its building to the City of Arvada for \$6,350,000. The associated building loan was paid in full.

The Public Employees' Retirement Association of Colorado (PERA) was notified that the School was closing and no longer participating in the pension and OPEB plans. The School's remaining pension and OPEB liabilities were closed out in accordance with PERA requirements.

Remaining funds were remitted to CSI.

REQUIRED SUPPLEMENTARY INFORMATION

EARLY COLLEGE OF ARVADA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ -	\$ 149,796	\$ 12,939	\$ (136,857)
State sources	(10,776)	-	(10,776)	(10,776)
Total revenues	(10,776)	149,796	2,163	(147,633)
EXPENDITURES				
Instruction	-	18,670	4,083	14,587
Supporting services	910,968	900,382	906,886	(6,504)
Total expenditures	910,968	919,052	910,969	8,083
Excess (deficiency) of revenues over expenditures	(921,744)	(769,256)	(908,806)	(139,550)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	152,488	-	139,550	139,550
Net change in fund balances	(769,256)	(769,256)	(769,256)	-
Fund balances - beginning	769,256	769,256	769,256	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report.