

**BANNING LEWIS RANCH ACADEMY**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2021

**BANNING LEWIS RANCH ACADEMY**  
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**JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Banning Lewis Ranch Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Banning Lewis Ranch Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Banning Lewis Ranch Academy, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

*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, 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  
September 14, 2021

Banning Lewis Ranch Academy is a K-10 Public Charter School located in Colorado Springs, Colorado that began operations in the fall of 2006. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Banning Lewis Ranch Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Governmental Fund Financial Statements.

### **Fund Financial Statements:**

The governmental fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental activities including the Academy's major instruction and instructional support activities are reported in the General Fund. While governmental activities consist of functions that are mostly funded by intergovernmental revenues, business type activities consist of functions that are intended to recover all or most of their costs through user fees and charges. The Academy includes the Banning Lewis Ranch Academy Building Company, LLC as a business type component unit in its fund financial statements as the debt service requirements of the facility financing arrangement is designed to be funded by lease payments from the Academy.

In the governmental fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported on the balance sheet. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded on the balance sheet.

### **Government-wide Financial Statements:**

The Government-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both current and long term, regardless if they are "currently available" or not. For example, capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Government-wide financial statements.

Banning Lewis Ranch Academy  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2021

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

**Summary of Net Position:**

The following summarizes the net position at fiscal year end June 30, 2021:

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
<b>Assets</b>						
Current assets	\$4,609,473	\$5,695,628	\$4,492,472	\$4,467,531	\$9,101,945	\$10,163,159
Capital assets	2,773,175	2,812,708	24,940,926	24,940,926	27,714,101	27,753,634
Less: accumulated depreciation	(1,278,256)	(1,432,425)	(3,127,449)	(3,623,077)	(4,405,705)	(5,055,502)
Capital assets, net book value	1,494,919	1,380,283	21,813,477	21,317,849	23,308,396	22,698,132
Total assets	\$6,104,392	\$7,075,911	\$26,305,949	\$25,785,380	\$32,410,341	\$32,861,291
Deferred Outflows	\$0	\$0	\$92,949	\$86,935	\$92,949	\$86,935
<b>Liabilities</b>						
Current liabilities	\$971,492	\$1,317,932	\$542,151	\$496,700	\$1,513,643	\$1,814,632
Long-term liabilities	0	0	27,145,000	26,715,000	27,145,000	26,715,000
Total liabilities	\$971,492	\$1,317,932	\$27,687,151	\$27,211,700	\$28,658,643	\$28,529,632
<b>Net position</b>						
Net investment (deficit) in capital assets	\$1,494,919	\$1,380,283	(\$5,417,140)	(\$5,443,530)	(\$3,922,221)	(\$4,063,247)
Restricted	393,000	400,000	4,128,887	4,104,145	4,521,887	4,504,145
Unrestricted	3,244,981	3,977,696	0	0	3,244,981	3,977,696
Total net position	\$5,132,900	\$5,757,979	(\$1,288,253)	(\$1,339,385)	\$3,844,647	\$4,418,594

**FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES**

During fiscal year ended June 30, 2021, the Academy's net position increased by \$573,947 as compared to an increase of \$1,227,372 in the prior fiscal year ending June 30, 2020. This increase is primarily the result of increased Program funding, which is offset by an increase of expenses in the General Fund. Asset balances increased by \$971,519 while liability balances increased by \$346,440. The increase in asset balances originates primarily from an increase in cash balances mainly in the General Operating Fund. The increase in liability balances reflects an increase in accrued accounts payable and wages payable.

Banning Lewis Ranch Academy  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2021

**A. Results of Operations:**

For the fiscal year ended June 30, 2020 and 2021, the Academy wide results of operations were:

	Governmental Activities				Business-type Activities				Total			
	2020		2021		2020		2021		2020		2021	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
<b>General revenue:</b>												
State and District aid - all sources	\$11,917,664	107.01%	\$12,600,367	104.12%	\$0	0.00%	\$0	0.00%	\$11,917,664	90.26%	\$12,600,367	88.65%
Other	<u>-1,475,526</u>	<u>-13.25%</u>	<u>-2,087,402</u>	<u>-17.25%</u>	<u>2,066,432</u>	<u>100.00%</u>	<u>2,111,808</u>	<u>100.00%</u>	<u>590,906</u>	<u>4.48%</u>	<u>24,406</u>	<u>0.17%</u>
Total general revenue	10,442,138	93.76%	10,512,965	86.87%	2,066,432	100.00%	2,111,808	100.00%	12,508,570	94.74%	12,624,773	88.82%
<b>Program revenue:</b>												
Charges for services	222,996	2.00%	119,275	0.99%	0	0.00%	0	0.00%	222,996	1.69%	119,275	0.84%
Operating grants - federal and state	<u>471,670</u>	<u>4.24%</u>	<u>1,470,003</u>	<u>12.15%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>471,670</u>	<u>3.57%</u>	<u>1,470,003</u>	<u>10.34%</u>
Total program revenue	694,666	6.24%	1,589,278	13.13%	0	0.00%	0	0.00%	694,666	5.26%	1,589,278	11.18%
Total revenue	11,136,804	100.00%	12,102,243	100.00%	2,066,432	100.00%	2,111,808	100.00%	13,203,236	100.00%	14,214,051	100.00%
<b>Expenses:</b>												
Instruction and instructional services	5,851,701	59.75%	7,288,546	63.50%	0	0.00%	0	0.00%	5,851,701	48.86%	7,288,546	53.43%
Support services	3,942,368	40.25%	4,188,618	36.50%	0	0.00%	0	0.00%	3,942,368	32.92%	4,188,618	30.71%
Interest on long-term debt	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Building Corporation	0	0.00%	0	0.00%	2,181,795	100.00%	2,162,940	100.00%	2,181,795	18.22%	2,162,940	15.86%
Total expenses	9,794,069	100.00%	11,477,164	100.00%	2,181,795	100.00%	2,162,940	100.00%	11,975,864	100.00%	13,640,104	100.00%
Increase (decrease) in net position	<u>\$1,342,735</u>		<u>\$625,079</u>		<u>(\$115,363)</u>		<u>(\$51,132)</u>		<u>\$1,227,372</u>		<u>\$573,947</u>	

**B. Per Pupil Revenue (PPR)**

The Academy's PPR funding is determined by the following variables:

Per Pupil Funding: Annually, the State and the District sets the per pupil funding based on a base funding amount as adjusted by a number of factors including a cost-of-living factor and an At-Risk demographics factor. The Banning Lewis Ranch Academy PPOR was \$8,154 for the 2019-20 school year and \$7,843 for the 2020-21 school year.

Student Enrollment: The Academy's student enrollment for the fall count of the 2019-20 was 1,441 students as compared 1,469 students for the fall of 2020-21. To calculate total state aid to be provided by the District funded PPR, enrollment is multiplied by the Academy's per pupil funding.

**C. Major Fund Budgetary Highlights**

**General Fund Operations**

The Academy's only major governmental type fund is the General Fund. Revenues and other financing sources from General Fund operations was greater than Expenditures and other financing uses by \$739,715 for the fiscal year ended June 30, 2021. Some budgetary highlights

Banning Lewis Ranch Academy  
 Management's Discussion and Analysis  
 For Fiscal Year Ended June 30, 2021

are as follows:

**Final Budget vs. Actual**

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
<b>Revenues and Other Financing Sources</b>		
2019-2020	\$12,831,985	\$13,145,031
2020-2021	\$14,391,049	\$14,210,309
<b>Expenditures and Other Financing Sources</b>		
2019-2020	\$12,234,313	\$11,814,769
2020-2021	\$13,970,062	\$13,470,594

**Original vs. Final Budget**

As a matter of practice, the Academy amends its budget periodically as needed during the school year. For the fiscal year 2020-21, the budget was amended on April 27, 2021. The April 27, 2021 budget amendment was the final budget for the fiscal year. The Academy Board does not budget for expenditures covered by grants or the grant revenue until an award allocation is received. The General Fund does not budget for debt financed capital outlays, if applicable, in the original budget.

**Changes from Original to Final General Budget**

**Revenues and Other Financing Sources**

Total Revenues Original Budget	\$13,343,779
Total Revenues Final Budget	<u>14,391,049</u>
Increase in Budgeted Revenues	\$1,047,270

The Academy's final general fund revenues were less than the final budget by \$180,740, a variance of 1.3%.

The most significant change in revenues from the original budget was an increase in revenues from federal awards related to COVID-19, or ESSER.

**Expenditures and Other Financing Sources:**

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$12,874,890
Total Expenditures Final Budget	<u>13,970,062</u>
Increase in Expenditures	\$1,095,172

The final budget projected an increase in expenditures of \$1.095M from the original budget, however, the Academy's actual expenditures were lower than final budget by \$499,468, a variance of 3.6%.

The most significant change in expenditures from the original budget was higher use of Federal grant award dollars, leaving smaller balances to carry-over to FY2021-22.

**D. Proprietary Fund Highlights**

The Banning Lewis Ranch Academy Building Company, LLC, a business type component unit included in the fund financial statements, receives lease income from the Academy and in turn uses those receipts to fund the debt reserves and make scheduled debt service payments in accordance with the facility financing arrangement. The scheduled lease payments are designed to provide sufficient cash flow to fund the required debt service and reserves. As explained earlier under FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES, certain timing differences related to depreciation and debt retirement as well as the use of capitalized interest have caused the Academy to incur losses. Due to the temporary nature of those differences, it is expected that the losses will reverse themselves over the life of the facility financing arrangement.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

The Academy’s net investment in capital assets decreased by \$610,264 during the fiscal year. Capital asset additions of \$74,125 included site improvements for a retainer wall and asphalt refurbishment. This can be summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets</b>	\$27,714,101	\$74,125	(\$34,592)	\$27,753,634
Less: Accumulated depreciation	<u>(4,405,705)</u>	<u>(649,797)</u>	<u>                  </u>	<u>(5,055,502)</u>
Net investments in capital assets	<u>\$23,308,396</u>	<u>(\$575,672)</u>	<u>(34,592)</u>	<u>\$22,698,132</u>

For more information on capital assets, refer to Note 5 in the basic financial statements.

**B. Depreciation Expense**

GASB 34 requires governmental entities to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position in the governmental-wide financial statements. Depreciation is not recognized in the governmental fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

For the fiscal year ended June 30, 2021, the net increase in accumulated depreciation was \$649,797.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

**C. Debt, Principal Payments**

The Academy’s building company unit issued debt in 2006 to fund the acquisition and construction of the facility being used. This debt was refinanced in FY2017. A summary of long-term debt service activities is as follows.

	<b>Balance 6/30/2020</b>	<b>New Financings</b>	<b>Principal Payment</b>	<b>Balance 6/30/2021</b>
Loans payable	\$27,620,000	\$0	\$475,000	\$27,145,000

**ECONOMIC FACTORS AND NEXT’S YEAR BUDGET**

The Preliminary Budget for 2021-22 Fiscal Year was adopted by the Board of Directors on June 1, 2021. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on feedback from the State, the District and the community. Some key factors and estimates used in the 2021-22 preliminary budget process include:

- The Academy’s PPR funding had been estimated to be \$8,097 per pupil;
- Enrollment projections of 1576, students in grades K-12 with a funded FTE of 1576;
- Teaching staff, at maximum, would provide one teacher for every 25 students;
- Benefit costs would be based on group coverage rates through same providers the Academy used in FY 2020-21.

**CONTACTING THE ACADEMY’S MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy’s finances. If you have questions about this report or need additional information, contact the Administration Office, Banning Lewis Ranch Academy, 7094 Cottonwood Tree Drive, Colorado Springs, Colorado, 80927.

## **BASIC FINANCIAL STATEMENTS**

**BANNING LEWIS RANCH ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,732,895	\$ -	\$ 5,732,895
Restricted cash and investments	-	4,156,679	4,156,679
Receivables	230,659	-	230,659
Internal balances	(310,852)	310,852	-
Prepaid items	42,926	-	42,926
Capital assets, net of accumulated depreciation	1,380,283	21,317,849	22,698,132
Total Assets	<u>7,075,911</u>	<u>25,785,380</u>	<u>32,861,291</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	86,935	86,935
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	510,536	-	510,536
Accrued salaries and benefits	807,396	-	807,396
Accrued interest payable	-	66,700	66,700
Long-term liabilities			
Due within one year	-	430,000	430,000
Due in more than one year	-	26,715,000	26,715,000
Total Liabilities	<u>1,317,932</u>	<u>27,211,700</u>	<u>28,529,632</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,380,283	(5,443,530)	(4,063,247)
Restricted for:			
TABOR	400,000	-	400,000
Debt Service	-	4,104,145	4,104,145
Unrestricted	3,977,696	-	3,977,696
Total Net Position (deficit)	<u>\$ 5,757,979</u>	<u>\$ (1,339,385)</u>	<u>\$ 4,418,594</u>

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

**BANNING LEWIS RANCH ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 7,288,546	\$ 119,275	\$ 1,025,521	\$ -	\$ (6,143,750)	\$ -	\$ (6,143,750)
Supporting services	4,188,618	-	-	444,482	(3,744,136)		(3,744,136)
Total governmental activities	11,477,164	119,275	1,025,521	444,482	(9,887,886)		(9,887,886)
Business-type activities:							
Building Company	2,162,940	-	-	-		(2,162,940)	(2,162,940)
Total	\$ 13,640,104	\$ 119,275	\$ 1,025,521	\$ 444,482		(2,162,940)	(12,050,826)
General revenues:							
Per pupil revenue					11,521,514	-	11,521,514
Mill levy override					934,010	-	934,010
Grants and contributions not restricted to specific programs					143,472	-	143,472
Unrestricted investment earnings					1,371	3,742	5,113
Miscellaneous					20,664	-	20,664
Transfers					(2,108,066)	2,108,066	-
Total general revenues and transfers					10,512,965	2,111,808	12,624,773
Change in net position					625,079	(51,132)	573,947
Net position - beginning, (deficit)					5,132,900	(1,288,253)	3,844,647
Net position - ending (deficit)					\$ 5,757,979	\$ (1,339,385)	\$ 4,418,594

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

**BANNING LEWIS RANCH ACADEMY  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2021**

**ASSETS**

Cash and investments	\$ 5,732,895
Receivables	230,659
Prepaid items	42,926
	<hr/>
Total Assets	\$ 6,006,480
	<hr/> <hr/>

**LIABILITIES**

Accounts payable and other accrued liabilities	\$ 510,536
Accrued salaries and benefits	807,396
Due to other funds	310,852
	<hr/>
Total Liabilities	1,628,784
	<hr/>

**FUND BALANCE**

Non-spendable	42,926
Restricted for emergencies	400,000
Unassigned	3,934,770
	<hr/>
Total Fund Balance	4,377,696
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Total Liabilities and Fund Balance	\$ 6,006,480
	<hr/> <hr/>

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

**BANNING LEWIS RANCH ACADEMY  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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

Total Fund Balance of Governmental Funds	\$ 4,377,696
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	<u>1,380,283</u>
Total Net Position of Governmental Activities	<u><u>\$ 5,757,979</u></u>

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

**BANNING LEWIS RANCH ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**REVENUES**

Local sources	\$ 1,151,887
State sources	11,998,484
Federal sources	<u>1,059,938</u>
 Total revenues	 <u>14,210,309</u>

**EXPENDITURES**

Instruction	7,173,910
Supporting services	6,199,707
Facilities acquisition and construction	<u>96,977</u>
 Total expenditures	 <u>13,470,594</u>

Net change in fund balance	739,715
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Fund balance, beginning	<u>3,637,981</u>
Fund balance, ending	<u><u>\$ 4,377,696</u></u>

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

**BANNING LEWIS RANCH ACADEMY  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net Change in Fund Balance of Governmental Funds	\$	739,715
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlays	\$	39,533
Depreciation Expense	(154,169)	(114,636)
Change in Net Position of Governmental Activities	\$	<u>625,079</u>

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

**BANNING LEWIS RANCH ACADEMY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	<u>Building Company</u>
<b>ASSETS</b>	
Current Assets:	
Restricted cash and investments	\$ 4,156,679
Due from other funds	310,852
Noncurrent Assets:	
Capital assets being depreciated, net of accumulated depreciation	<u>21,317,849</u>
Total assets	<u>25,785,380</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	<u>86,935</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued interest payable	66,700
Loan payable, current portion	<u>430,000</u>
Total current liabilities	496,700
Noncurrent Liabilities:	
Loan payable	<u>26,715,000</u>
Total liabilities	<u>27,211,700</u>
<b>NET POSITION</b>	
Net investment in capital assets	(5,443,530)
Restricted for debt service	<u>4,104,145</u>
Total net position (deficit)	<u><u>\$ (1,339,385)</u></u>

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

**BANNING LEWIS RANCH ACADEMY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Building Company</u>
<b>OPERATING REVENUES</b>	
Rental income	<u>\$ 2,108,066</u>
<b>OPERATING EXPENSES</b>	
Purchased services	32,500
Interest expense	<u>1,634,811</u>
Total operating expenses	<u>1,667,311</u>
Net operating income (loss)	<u>440,755</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	3,742
Depreciation expense	<u>(495,629)</u>
Total non-operating revenues (expenses)	<u>(491,887)</u>
Change in net position	(51,132)
Net position - beginning	<u>(1,288,253)</u>
Net position - ending (deficit)	<u><u>\$ (1,339,385)</u></u>

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

**BANNING LEWIS RANCH ACADEMY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Building Company</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease payments received	\$ 1,904,827
Purchased services	(32,500)
Interest payments to leaseholder	<u>(1,629,249)</u>
Net cash provided (used) by operating activities	<u>243,078</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on debt	<u>(475,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(475,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>3,742</u>
Net cash provided (used) by investing activities	<u>3,742</u>
Net increase (decrease) in cash and cash equivalents	(228,180)
Cash and cash equivalents, beginning	<u>4,384,859</u>
Cash and cash equivalents, ending	<u><u>\$ 4,156,679</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 440,755
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	6,013
Changes in assets and liabilities:	
<i>(Increase) decrease in:</i>	
Due from other funds	(203,239)
<i>Increase (decrease) in:</i>	
Interest payable	<u>(451)</u>
Net cash provided (used) by operating activities	<u><u>\$ 243,078</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Banning Lewis Ranch Academy (the School) began operations on January 9, 2006, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Falcon School District 49 (the District). The School started admitting students in September 2006.

The financial statements of Banning Lewis Ranch Academy have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

*A. REPORTING ENTITY*

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

*Blended component unit.* Banning Lewis Ranch Academy Building Company, LLC (the Building Company) 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 Company has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Building Company does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District, because the District provides the majority of support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2037 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

*B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental fund:

The *General Fund* is the government'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 School reports the following major proprietary fund:

The Building Company is used to account for financial activities primarily related to capital assets and related debt service.

During the course of operations, the government 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. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

*D. 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.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

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. Grants and similar items are recognized as revenue in the fiscal year in which 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 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 and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

*E. 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.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

**BANNING LEWIS RANCH ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Receivables*

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

*Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets*

Capital assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$1,500. Donated capital assets are valued at their acquisition value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 50 years
Furniture and equipment	5 to 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.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Long-term liabilities*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond 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 flow assumption*

The School may fund outlays for a particular purpose from both restricted 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.

*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 action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action 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.

**BANNING LEWIS RANCH ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance classification (continued)*

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 Directors 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.

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all state equalization.

*Compensated absences*

It is the School’s policy to permit employees to accumulate vacation time. Accrued vacation time may not be carried into the next fiscal year; therefore, a liability for these benefits has not been reflected in these financial statements.

*Proprietary funds operating and non-operating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the School’s enterprise fund is rental income. Operating expenses for the enterprise fund includes interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of 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 and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

**BANNING LEWIS RANCH ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 5,732,895
Investments	<u>4,156,679</u>
Total	<u>\$ 9,889,574</u>

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

Cash and investments	\$ 5,732,895
Restricted cash and investments	<u>4,156,679</u>
Total	<u>\$ 9,889,574</u>

*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, 2021 was \$5,732,895 and the bank balances were \$5,770,510. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$5,520,510 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

*Investments*

Credit Risk

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.

State law limits investments to those described above. The School does not have an investment policy that would further limit its investment choices.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

At June 30, 2021 the School’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
CSAFE	Less than 60 days	<u>\$ 4,156,679</u>

The Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirement of creating and operating CSAFE. CSAFE is rated AAAM by the Standard and Poor’s Corporation. Investments of CSAFE 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.

All of the investment balances were restricted for debt service and capital construction.

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

**NOTE 4 –RECEIVABLES**

Receivables consists of the following at June 30, 2021:

Grants receivable	\$ 155,659
Other receivables	<u>75,000</u>
	<u>\$ 230,659</u>

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

All interfund receivables and payables are created in conjunction with the School’s pooled cash account. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Building Company	General Fund	<u>\$ 310,852</u>

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 17,000	\$ 17,592	\$ (34,592)	\$ -
Capital assets, being depreciated:				
Site improvements	1,535,404	56,533	-	1,591,937
Furniture and equipment	<u>1,220,771</u>	<u>-</u>	<u>-</u>	<u>1,220,771</u>
Total depreciable assets	<u>2,756,175</u>	<u>56,533</u>	<u>-</u>	<u>2,812,708</u>
Less accumulated depreciation for:				
Site improvements	(313,615)	(106,948)	-	(420,563)
Furniture and equipment	<u>(964,641)</u>	<u>(47,221)</u>	<u>-</u>	<u>(1,011,862)</u>
	<u>(1,278,256)</u>	<u>(154,169)</u>	<u>-</u>	<u>(1,432,425)</u>
Total capital assets being depreciated, net	<u>1,477,919</u>	<u>(97,636)</u>	<u>-</u>	<u>1,380,283</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,494,919</u>	<u>\$ (80,044)</u>	<u>\$ (34,592)</u>	<u>\$ 1,380,283</u>
<i>Business-type Activities</i>				
Capital assets, being depreciated:				
Building and improvements	\$ 24,202,450	\$ -	\$ -	\$ 24,202,450
Furniture and equipment	<u>738,476</u>	<u>-</u>	<u>-</u>	<u>738,476</u>
Total depreciable assets	<u>24,940,926</u>	<u>-</u>	<u>-</u>	<u>24,940,926</u>
Less accumulated depreciation for:				
Building and improvements	(2,659,053)	(454,421)	-	(3,113,474)
Furniture and equipment	<u>(468,396)</u>	<u>(42,207)</u>	<u>-</u>	<u>(509,603)</u>
Total accumulated depreciation	<u>(3,127,449)</u>	<u>(495,628)</u>	<u>-</u>	<u>(3,623,077)</u>
Total capital assets being depreciated, net	<u>21,813,477</u>	<u>(495,628)</u>	<u>-</u>	<u>21,317,849</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 21,813,477</u>	<u>\$ (495,628)</u>	<u>\$ -</u>	<u>\$ 21,317,849</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

<i>Governmental activities</i>	
Instruction	<u>\$ 154,169</u>

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – LONG-TERM LIABILITIES**

*Building Company Loan*

Principal  
Balance

On September 1, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$28,355,000 Charter School Revenue Bonds, Series 2016. Bond proceeds were loaned to the Building Company under a mortgage and loan agreement to refund the Charter School Revenue Bonds, Series 2006 with an outstanding amount of \$6,955,000 as of June 1, 2016, to complete the building facility and improvements. The School is obligated under a lease agreement to make monthly lease payments to the Building Company for use of the facilities. The Building Company is required to make loan payments to the Trustee, for payment of the bonds. Interest payments are made in semi-annual installments at an interest rate of 6.00 to 7.00%. Principal payments are due annually on December 15 through 2047.

\$ 27,145,000

Annual debt service requirements to maturity for the note payable are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 430,000	\$ 1,604,603
2023	420,000	1,581,236
2024	445,000	1,557,368
2025	475,000	1,531,994
2026	505,000	1,504,991
2027 – 2031	3,070,000	7,053,568
2032 – 2036	4,195,000	6,060,819
2037 – 2041	5,770,000	4,465,975
2042 – 2046	8,085,000	2,578,131
2047	<u>3,750,000</u>	<u>127,281</u>
Total	<u>\$ 27,145,000</u>	<u>\$ 28,265,966</u>

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
2016 Loan payable	<u>\$ 27,620,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ 27,145,000</u>	<u>\$ 430,000</u>

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 – MANAGEMENT AGREEMENT**

Under the agreement, ACCEL agreed to provide regulatory, financial, facilities, and other assistance and expertise to the School. Under the terms of the agreement, the School is required to pay ACCEL an annual fee for services performed. The fee is 10% of total state equalization and state and federal grants received for the year. The administrative fees earned by ACCEL for the year ended June 30, 2021 were \$957,278.

On April 3, 2020, the School signed a new agreement with ACCEL which provides for a management fee of 8% of local, state, and federal revenues, excluding impact aid. This agreement is effective July 1, 2020 and expires June 30, 2025.

**NOTE 9 - 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 10 – CONCENTRATION OF RISK**

The School is funded directly by Falcon School District 49 (the District) based on the District's per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 81% of the School's revenues.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

*Grants*

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

*Site Lease*

On May 1, 2006, the Building Company entered into a site lease agreement with the District. Under the agreement, the District retains fee simple ownership of the land upon which the School's facilities are located through May 1, 2041. The Building Company will retain a leasehold interest in the land through the term of the agreement, at which time ownership of the land and facilities vests with the District. The agreement also provides that the School will retain possession of the School facilities following termination of the site lease agreement as long as the School continues to operate as a charter school.

**BANNING LEWIS RANCH ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 12 – COMPLIANCE**

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2021 audit period as required by Colorado Statute CRS 22-44-204(3).

**NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2021 there is a \$400,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BANNING LEWIS RANCH ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 1,370,985	\$ 1,258,088	\$ 1,151,887	\$ (106,201)
State sources	11,942,424	12,063,511	11,998,484	(65,027)
Federal sources	30,370	1,069,450	1,059,938	(9,512)
Total revenues	13,343,779	14,391,049	14,210,309	(180,740)
<b>EXPENDITURES</b>				
Instruction	6,381,589	7,413,936	7,173,910	240,026
Supporting services	6,286,245	6,345,202	6,199,707	145,495
Facilities acquisition and construction	207,056	210,924	96,977	113,947
Total expenditures	12,874,890	13,970,062	13,470,594	499,468
Net change in fund balances	468,889	420,987	739,715	318,728
Fund balances - beginning	2,812,006	3,436,786	3,637,981	201,195
Fund balance - ending	\$ 3,280,895	\$ 3,857,773	\$ 4,377,696	\$ 519,923

See the accompanying Independent Auditors' Report.