

BANNING LEWIS RANCH ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2023

BANNING LEWIS RANCH ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Banning Lewis Ranch Academy

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 Banning Lewis Ranch Academy, a component unit of Colorado Springs School District No. 49, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Banning Lewis Ranch Academy'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 Banning Lewis Ranch Academy, as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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 Banning Lewis Ranch Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Banning Lewis Ranch Academy'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 Banning Lewis Ranch Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Banning Lewis Ranch Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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
September 22, 2023

Banning Lewis Ranch Academy is a K-12 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, 2023.

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. Additionally, the Academy accounts for the financial activities of the Banning Lewis Ranch Academy, LLC, as a major governmental fund. This Special Revenue Fund includes activities such as facilities acquisition and construction and the accumulation of resources for the associated debt service.

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.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Position:

The following summarizes the net position at fiscal year end June 30, 2023:

Net Position Summary

	Governmental Activities	
	<u>2022</u>	<u>2023</u>
Assets		
Current assets	<u>\$12,060,439</u>	<u>\$12,249,468</u>
Capital assets	28,131,771	28,561,365
Less: accumulated depreciation	<u>(5,724,710)</u>	<u>(6,434,399)</u>
Capital assets, net book value	22,407,061	22,126,966
Total assets	<u>\$34,467,500</u>	<u>\$34,376,434</u>
Deferred Outflows	\$2,721,080	\$1,596,666
Liabilities		
Current liabilities	\$2,917,432	\$2,315,699
Long-term liabilities	29,434,868	28,591,121
Total liabilities	<u>\$32,352,300</u>	<u>\$30,906,820</u>
Net position		
Net investment (deficit) in capital assets	(\$5,082,618)	(\$5,671,691)
Restricted	2,989,532	2,909,068
Unrestricted	<u>6,929,366</u>	<u>7,828,903</u>
Total net position	<u>\$4,836,280</u>	<u>\$5,066,280</u>

FINANCIAL ANALYSIS OF THE ACADEMY'S ACTIVITIES

During fiscal year ended June 30, 2023, the Academy's net position increased by \$230,000 as compared to an increase of \$417,686 in the prior fiscal year ending June 30, 2022. This increase is primarily the result lower than anticipated operating expenditures. Asset balances decreased by \$91,066 while liability balances decreased by \$1,445,480. The decreases in asset balances and liability balances are due mainly to decreases in Capital Assets (NBV) and Long-term Liabilities.

Banning Lewis Ranch Academy
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2023

A. Results of Operations:

For the fiscal year ended June 30, 2022 and 2023, the Academy wide results of operations were:

	Governmental Activities			
	2022		2023	
	Amount	Percent of Total	Amount	Percent of Total
General revenue:				
State and District aid - all sources	\$15,326,422	82.78%	\$15,463,589	80.37%
Other	84,202	0.45%	220,287	1.14%
Total general revenue	15,410,624	83.24%	15,683,876	81.52%
Program revenue:				
Charges for services	2,210,497	11.94%	2,151,136	11.18%
Operating grants - federal and state	892,591	4.82%	803,983	4.18%
Capital grants - federal and state	0	0.00%	600,728	3.12%
Total program revenue	3,103,088	16.76%	3,555,847	18.48%
Total revenue	18,513,712	100.00%	19,239,723	100.00%
Expenses:				
Instruction and instructional services	8,802,377	48.64%	9,435,089	49.63%
Support services	6,749,981	37.30%	7,503,300	39.47%
Interest on Long Term Debt	2,543,668	14.06%	2,071,334	10.90%
Building Corporation	0	0.00%	0	0.00%
Total expenses	18,096,026	100.00%	19,009,723	100.00%
Increase (decrease) in net position	<u>\$417,686</u>		<u>\$230,000</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 \$8,661 for the 2021-22 school year and \$9,235 for the 2022-23 school year.

Student Enrollment: The Academy's student enrollment for the fall count of the 2021-22 was 1,673 students as compared 1,591 students for the fall of 2022-23. 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 major governmental type funds are the General Fund and the Building Company Fund (effective fiscal year 2021-22). Revenues and other financing sources from General Fund operations was greater than Expenditures and other financing uses by \$917,538 for the fiscal year ended June 30, 2023. Some budgetary highlights of the General Fund are as follows:

Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues and Other Financing Sources		
2021-2022	\$16,728,157	\$18,034,182
2022-2023	\$17,922,503	\$17,398,864
Expenditures and Other Financing Uses		
2021-2022	\$15,829,762	\$14,995,512
2022-2023	\$17,303,966	\$16,481,326

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 2022-23, the budget was amended on December 28, 2022. The December 28, 2022, 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	\$17,587,334
Total Revenues Final Budget	<u>17,922,503</u>
Increase in Budgeted Revenues	\$335,169

The Academy's final general fund actual revenues were lower than the final budget by \$523,639, a variance of 3%.

The most significant change in revenues from the original budget was an increase in revenues from Federal sources.

Expenditures and Other Financing Sources:

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

Total Expenditures Original Budget	\$16,784,118
Total Expenditures Final Budget	<u>17,303,966</u>
Increase in Expenditures	\$519,848

The final budget projected an increase in expenditures of \$519,848 from the original budget, however, the Academy's actual expenditures were lower than final budget by \$822,640, a variance of 4.8%.

The most significant changes in expenditures from the original budget were increased costs of instruction services and supporting services.

D. Proprietary Fund Highlights

The Banning Lewis Ranch Academy Building Company, LLC, a business type component unit which was included in the fund financial statements in prior years, received lease income from the Academy and in turn used those receipts to fund the debt reserves and make scheduled debt service payments in accordance with the facility financing arrangement. The scheduled lease payments were designed to provide sufficient cash flow to fund the required debt service and reserves. During the fiscal year 2021-22, the Building Company Fund was converted to a

Governmental Fund and the financial statements balances have been restated as necessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's net investment in capital assets decreased by \$280,095 during the fiscal year. Capital asset additions of \$654,119 included site improvements and furniture and equipment outlays. This can be summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets	\$28,131,771	\$654,119	(\$224,525)	\$28,561,365
Less: Accumulated depreciation	(5,724,710)	(709,689)		(6,434,399)
Net investments in capital assets	<u>\$22,407,061</u>	<u>(\$55,570)</u>	<u>(224,525)</u>	<u>\$22,126,966</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, 2023, the net increase in accumulated depreciation and lease asset amortization was \$709,689.

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 and refunded in 2021 (See note 7 to the Financial Statements for further information). A summary of long-term debt service activities is as follows.

	Beginning Balance 6/30/2022	Debt Issued and Additions	Reductions	Ending Balance 6/30/2023
Loans payable	\$29,240,000	\$0	(\$775,000)	\$28,465,000
Premiums	1,146,879	-	(46,965)	1,099,914
Discount	(181,214)	-	7,421	(173,793)
Total loans payable	\$30,205,665	\$0	(\$814,544)	\$29,391,121
Leases	29,221	-	(25,018)	4,203
Total Governmental Activities	\$30,234,886	\$0	(\$839,562)	\$29,395,324

ECONOMIC FACTORS AND NEXT'S YEAR BUDGET

The Preliminary Budget for 2023-24 Fiscal Year was adopted by the Board of Directors on May 16, 2023. 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 2023-24 preliminary budget process include:

- The Academy's PPR funding had been estimated to be \$9,697 per pupil;
- Enrollment projections of 1600, students in grades K-12 with a funded FTE of 1600;
- 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 2022-23.

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, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 9,545,757
Restricted cash and investments	2,389,448
Intergovernmental receivables	31,390
Prepaid items	282,873
Capital assets, net of accumulated depreciation/amortization	22,126,966
Total Assets	<u>34,376,434</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>1,596,666</u>
LIABILITIES	
Accounts payable and other accrued liabilities	467,766
Accrued salaries and benefits	987,077
Unearned revenue	17,818
Accrued interest payable	38,835
Long-term liabilities	
Due within one year	804,203
Due in more than one year	28,591,121
Total Liabilities	<u>30,906,820</u>
NET POSITION	
Net investment in capital assets	(5,671,691)
Restricted for:	
TABOR	505,000
Debt Service	2,404,068
Unrestricted	7,828,903
Total Net Position	<u>\$ 5,066,280</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, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</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>		
Governmental activities:					
Instruction	\$ 9,435,089	\$ 309,853	\$ 803,983	\$ -	\$ (8,321,253)
Supporting services	7,503,300	1,841,283	-	600,728	(5,061,289)
Interest	2,071,334	-	-	-	(2,071,334)
Total governmental activities	<u>\$ 19,009,723</u>	<u>\$ 2,151,136</u>	<u>\$ 803,983</u>	<u>\$ 600,728</u>	<u>(15,453,876)</u>
General revenues:					
Per pupil revenue					14,688,824
Mill levy override					557,133
Grants and contributions not restricted to specific programs					217,632
Unrestricted investment earnings					161,529
Miscellaneous					<u>58,758</u>
Total general revenues					<u>15,683,876</u>
Change in net position					230,000
Net position - beginning					<u>4,836,280</u>
Net position - ending					<u>\$ 5,066,280</u>

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

BANNING LEWIS RANCH ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Building Company Fund	Total
ASSETS			
Cash and investments	\$ 9,545,757	\$ -	\$ 9,545,757
Restricted cash and investments	-	2,389,448	2,389,448
Intergovernmental receivables	31,390	-	31,390
Due from other funds	-	53,455	53,455
Prepaid items	282,873	-	282,873
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 9,860,020	\$ 2,442,903	\$ 12,302,923
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 467,766	\$ -	\$ 467,766
Accrued salaries and benefits	987,077	-	987,077
Due to other funds	53,455	-	53,455
Unearned revenue	17,818	-	17,818
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,526,116	-	1,526,116
	<hr/>	<hr/>	<hr/>
FUND BALANCE			
Non-spendable	282,873	-	282,873
Restricted for:			
Debt Service	-	2,442,903	2,442,903
Emergencies	505,000	-	505,000
Unassigned	7,546,031	-	7,546,031
	<hr/>	<hr/>	<hr/>
Total Fund Balance	8,333,904	2,442,903	10,776,807
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 9,860,020	\$ 2,442,903	\$ 12,302,923
	<hr/>	<hr/>	<hr/>

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

BANNING LEWIS RANCH ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

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

Total Fund Balance of Governmental Funds		\$ 10,776,807
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets being depreciated	<u>\$ 22,126,966</u>	22,126,966
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$ 1,596,666	
Loan payable	(29,391,121)	
Lease payable	(4,203)	
Accrued interest payable	<u>(38,835)</u>	<u>(27,837,493)</u>
Total Net Position of Governmental Activities		<u><u>\$ 5,066,280</u></u>

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

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Company Fund	Total
REVENUES			
Local sources	\$ 1,241,112	\$ 1,840,860	\$ 3,081,972
State sources	15,582,052	-	15,582,052
Federal sources	575,700	-	575,700
	<u>17,398,864</u>	<u>1,840,860</u>	<u>19,239,724</u>
Total revenues			
EXPENDITURES			
Instruction	8,751,925	225,926	8,977,851
Supporting services	7,661,344	4,000	7,665,344
Debt service			
Interest	1,461	959,503	960,964
Principal	25,018	775,000	800,018
Facilities acquisition and construction	41,578	-	41,578
	<u>16,481,326</u>	<u>1,964,429</u>	<u>18,445,755</u>
Total expenditures			
Net change in fund balance	917,538	(123,569)	793,969
Fund balance, beginning	<u>7,416,366</u>	<u>2,566,472</u>	<u>9,982,838</u>
Fund balance, ending	<u><u>\$ 8,333,904</u></u>	<u><u>\$ 2,442,903</u></u>	<u><u>\$ 10,776,807</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
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

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

Net Change in Fund Balance of Governmental Funds	\$	793,969
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation/amortization expense	\$	(709,689)	
Capital Outlays		429,594	(280,095)

Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.		978
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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. This amount is the net effect of these differences in the treatment of long-term debt.

Loan principal repayment	\$	775,000	
Lease principal repayment		25,018	
Premium		46,965	
Discounts		(7,421)	
Amortization of deferred on refunding		(1,124,414)	(284,852)

Change in Net Position of Governmental Activities	\$	230,000
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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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Banning Lewis Ranch Academy (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 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 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. 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 is reported as a special revenue fund and does not issue separate financial statements.

The School is a component unit of the District. The School's charter was authorized by the District and the majority of the School's funding is provided by the District.

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.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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.

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 Company Fund* is used to account for the financial activities of the Banning Lewis Ranch Academy Building Company, LLC, 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.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 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, 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.

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 60 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.

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 reported at net asset value.

Receivables

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

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

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	20-50 years
Furniture and equipment	5-10 years

Accrued Salaries and Benefits

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

Unearned Revenue

Unearned revenue includes resources received by the School before the related revenue can be recognized because the earnings process is not complete.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 is a lessee for noncancellable leases of equipment. 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.

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.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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

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 reasonable 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.

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2023 is as follows:

Deposits	\$ 9,545,757
Investments	<u>2,389,448</u>
Total	<u>\$ 11,935,205</u>

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

Cash and investments	\$ 9,545,757
Restricted cash and investments	<u>2,389,448</u>
Total	<u>\$ 11,935,205</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, 2023 was \$9,545,757 and the bank balances were \$9,849,586. Of the bank balances, \$250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

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.

At June 30, 2023 the School's investment balances were as follows:

<u>Investment Type</u>	<u>Year-end Balance</u>	<u>Measurement</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>
CSAFE	\$ <u>2,389,448</u>	Net asset value	Less than 90 days	AAAm

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Local Government Investment Pools. Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools, which operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended, which includes the maintenance of each share equal in value to \$1.00. Investments 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 custodians' internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the School has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and School policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the School's investment in a single issuer. The School places no limit on the amount it may invest in any one issuer. More than 20 percent of the School's investments are in CSAFE. These investments are 100.0% of the School's total investments.

Fair value of investments. The School measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

School investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

	Transfers From Other Funds	Transfers To Other Funds
Building Company Fund	\$ 53,455	
General Fund		\$ 53,455

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 224,525	\$ -	\$ (224,525)	\$ -
Capital assets being depreciated:				
Buildings and improvements	25,894,951	429,594	-	26,324,545
Furniture and equipment	1,959,247	224,525	-	2,183,772
Total capital assets being depreciated	27,854,198	654,119	-	28,508,317
Less accumulated depreciation for:				
Buildings and improvements	(4,028,495)	(586,855)	-	(4,615,350)
Furniture and equipment	(1,669,691)	(96,310)	-	(1,766,001)
Total accumulated depreciation	(5,698,186)	(683,165)	-	(6,381,351)
Total capital assets being depreciated, net	22,156,012	(29,046)	-	22,126,966
Lease assets being amortized:				
Furniture and equipment	53,048	-	-	53,048
Total lease assets being amortized	53,048	-	-	53,048
Less accumulated amortization for:				
Furniture and equipment	(26,524)	(26,524)	-	(53,048)
Total accumulated amortization	(26,524)	(26,524)	-	(53,048)
Total lease assets being amortized, net	26,524	(26,524)	-	-
Capital assets, net of accumulated depreciation/amortization	22,182,536	(55,570)	-	22,126,966
Total governmental activities capital assets	\$ 22,407,061	\$ (55,570)	\$ -	\$ 22,126,966

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

Governmental Activities

Instruction \$ 709,689

BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – LEASES

School as lessee

The School, as a lessee, has entered into lease agreements involving equipment with lease term of 3 years. The total costs of these right-to-use lease assets are recorded as \$53,048, less accumulated amortization of \$53,048. The School has determined that as of June 30, 2023, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2023 are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,203	\$ 210	\$ 4,413
Total	<u>\$ 4,203</u>	<u>\$ 210</u>	<u>\$ 4,413</u>

NOTE 7 – LONG-TERM LIABILITIES

2021 Building Loan

On September 21, 2021, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$29,315,000 Charter School Revenue Bonds, Series 2021A and 2021B to refund CECFA's outstanding Series 2016 bonds. Proceeds of bond issuances have been loaned to the Building Company for construction and improvement of the School's educational facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Company for using the facilities. The Building Company is required to make equal payments to the trustee for payment of the bonds. Interest accrues a rate of 2.625% to 4.00% and is due semi-annually. Principal payments are due annually on December 15 through 2046.

Annual debt service requirements to maturity for loan payable is as follows:

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 800,000	\$ 935,264
2025	825,000	910,229
2026	850,000	884,395
2027	875,000	857,766
2028	905,000	830,237
2029 – 2033	4,960,000	3,730,913
2034 – 2038	5,835,000	2,802,436
2039 – 2043	6,960,000	1,666,316
2044 – 2047	<u>6,455,000</u>	<u>426,005</u>
Total	<u>\$ 28,465,000</u>	<u>\$ 13,016,561</u>

**BANNING LEWIS RANCH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Changes in the School's long-term liabilities for the year ended June 30, 2023, 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	\$ 29,240,000	\$ -	\$ (775,000)	\$ 28,465,000	\$ 800,000
Premiums	1,146,879	-	(46,965)	1,099,914	-
Discount	<u>(181,214)</u>	<u>-</u>	<u>7,421</u>	<u>(173,793)</u>	<u>-</u>
Total loan payable	30,205,665	-	(814,544)	29,391,121	800,000
Leases	<u>29,221</u>	<u>-</u>	<u>(25,018)</u>	<u>4,203</u>	<u>4,203</u>
<i>Total Governmental Activities</i>	<u>\$ 30,234,886</u>	<u>\$ -</u>	<u>\$ (839,562)</u>	<u>\$ 29,395,324</u>	<u>\$ 804,203</u>

Loans are liquidated in the Building Corp fund. Leases are liquidated in the General fund.

NOTE 8 - 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 9 – 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, 2023**

NOTE 10 - TAX, SPENDING, AND DEBT LIMITATIONS

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, 2023 there is a \$505,000 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 1,254,540	\$ 1,314,561	\$ 1,241,112	\$ (73,449)
State sources	15,800,541	15,697,495	15,582,052	(115,443)
Federal sources	532,253	910,447	575,700	(334,747)
Total revenues	17,587,334	17,922,503	17,398,864	(523,639)
EXPENDITURES				
Instruction	9,376,557	9,558,264	8,751,925	806,339
Supporting services	7,407,561	7,745,702	7,661,344	84,358
Debt service:				-
Interest	-	-	1,461	(1,461)
Principal	-	-	25,018	(25,018)
Facilities acquisition and construction	-	-	41,578	(41,578)
Total expenditures	16,784,118	17,303,966	16,481,326	822,640
Net change in fund balances	803,216	618,537	917,538	299,001
Fund balances - beginning	4,616,846	11,175,000	7,416,366	(3,758,634)
Fund balance - ending	\$ 5,420,062	\$ 11,793,537	\$ 8,333,904	\$ (3,459,633)

See the accompanying Independent Auditors' Report.

BANNING LEWIS RANCH ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING COMPANY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Local sources	\$ 1,782,353	\$ 1,782,353	\$ 1,840,860	\$ 58,507
Total revenues	1,782,353	1,782,353	1,840,860	58,507
EXPENDITURES				
Instruction	-	-	225,926	(225,926)
Supporting services	488,552	488,552	4,000	484,552
Debt service:				
Interest	972,099	972,099	959,503	12,596
Principal	775,000	775,000	775,000	-
Total expenditures	2,235,651	2,235,651	1,964,429	271,222
Net change in fund balances	(453,298)	(453,298)	(123,569)	329,729
Fund balances - beginning	(1,087,058)	(1,087,058)	2,566,472	3,653,530
Fund balance - ending	\$ (1,540,356)	\$ (1,540,356)	\$ 2,442,903	\$ 3,983,259

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