

**ASCENT CLASSICAL ACADEMY
CHARTER SCHOOLS, INC**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2021

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ascent Classical Academy Charter Schools, Inc

We have audited the accompanying financial statements of the governmental activities and each major fund of Ascent Classical Academy Charter Schools, Inc, 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 and each major fund of Ascent Classical Academy Charter Schools, Inc, as of June 30, 2021, and the respective changes in financial position 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
November 12, 2021

Ascent Classical Academy Charter Schools, Inc
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2021

As management of Ascent Classical Academy Charter Schools, Inc (ACA or the Network), we offer readers of Ascent Classical Academy Charter Schools, Inc's basic financial statements this narrative overview and analysis of the financial activities of the Network for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

As of June 30, 2021, net position increased by \$885,727 to \$1,148,523 after a restatement of beginning net position. Ascent Classical Academy Charter Schools, Inc's governmental fund reported an ending fund balance of \$986,109, an increase of \$691,353 from the prior year after a restatement of beginning fund balance.

The operations of the Network are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$6,521,549.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the Network supported primarily by Per Pupil Revenue or other revenues passed through from the Network's

authorizer (Colorado Charter School Institute). The governmental activities of ACA include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Network keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Network's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Network, as one corporation, maintains one governmental fund with two locations. Each location adopts a budget annually within the fund: the two location's budgets combine to equal the network's total appropriation. A budgetary comparison schedule is included to demonstrate that spending for each location, as well as for the network, did not exceed the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Network's financial position. For the fiscal year ended June 30, 2021, ACA's net position was \$1,148,523.

Of the Network's total net position, \$300,957 is invested in capital assets, \$249,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$92,000 is restricted for special education.

Ascent Classical Academy Charter Schools, Inc's Net Position

	2020-2021	2019-2020
ASSETS		
Cash and Investments	\$ 871,718	\$ 432,911
Receivables	659,643	261,133
Prepays	91,530	81,157
Capital Assets, Net of Accumulated Depreciation	<u>300,957</u>	<u>115,630</u>
TOTAL ASSETS	<u>1,923,848</u>	<u>890,831</u>
LIABILITIES		
Accounts Payable and Other Accrued Liabilities	619,607	342,168
Unearned Revenue	17,175	207,961
Accrued Interest Payable	-	22,590
Noncurrent Liabilities		
Due within One Year	<u>138,543</u>	<u>100,000</u>
TOTAL LIABILITIES	<u>775,325</u>	<u>672,719</u>
NET POSITION		
Net Investment in Capital Assets	300,957	115,629
Restricted for Emergencies	249,000	156,000
Restricted for Special Education	92,000	-
Restricted for Board Operations	-	20,000
Unrestricted	<u>506,566</u>	<u>(73,517)</u>
TOTAL NET POSITION	<u>\$ 1,148,523</u>	<u>\$ 218,112</u>

Ascent Classical Academy Charter Schools, Inc's Change in Net Position

	2020-2021	2019-2020
REVENUES		
Per Pupil Revenue	\$ 6,521,549	\$ 4,250,320
Mill Levy Override	516,232	605,703
Grants and Contributions Not Restricted to Specific Programs	248,563	136,877
Charges for Services	142,617	53,157
Operating Grants and Contributions	1,284,654	292,067
Capital Grants and Contributions	249,614	144,305
Investment Income	-	-
Miscellaneous	7,155	8,018
	<u>8,970,384</u>	<u>5,490,447</u>
TOTAL REVENUE		
EXPENSES		
Instruction	3,793,533	2,626,419
Supporting Services	4,277,791	2,484,212
Interest	13,333	-
	<u>8,084,657</u>	<u>5,110,631</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	885,727	379,816
NET POSITION, Beginning, restated	<u>262,796</u>	<u>(161,704)</u>
NET POSITION, Ending	<u>\$ 1,148,523</u>	<u>\$ 218,112</u>

Financial Analysis of the Government's Fund

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

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

As of the end of the current fiscal year, the Network's General Fund reported an ending fund balance of \$986,109, an increase of \$691,353 from the prior year.

General Fund Budgetary Highlights

ACA recognized \$27,620 more revenue than expected and spent \$284,221 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment and changes in the school's federal start up grant timeline.

Capital Assets & Long-Term Debt

The Network has invested in capital assets for leasehold improvements and equipment. Depreciation expenses for capital assets are booked under the Instruction and Supporting Services program of the Network's operations. More information regarding capital assets may be found in Note 5 to the financial statements.

The Network has two active loans to finance operations and support start up grant spending, one of which matured in August 2020 and the other of which matures in 2023. The lender agreed to waive the maturity date for the loan that matured in August 2020 as long as monthly accrued interest continued to be paid. The outstanding principal and interest was paid in full in August 2021. The loan that matures in 2023 was extended by the authorizer and its repayment will take place when the school receives its start up grant reimbursement from the state. During FY 2020-21 the Network paid off the 2019 loan, the proceeds of which were used to finance operations. More information regarding long-term debt may be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Ascent Classical Academy Charter Schools, Inc is student enrollment. Enrollment for the 2020-2021 school year was 834.46 funded students. Enrollment projected for 2021-2022 is 1,320.98 funded students. This factor was considered when preparing ACA's budget for 2021-2022.

Requests for Information

This financial report is designed to provide a general overview of Ascent Classical Academy Charter Schools, Inc's finances for all those with an interest in the Network's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Network:

Ascent Classical Academy Charter Schools, Inc
10004 Park Meadows Drive
Lone Tree, CO 80124

BASIC FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 871,718
Receivables	659,643
Prepays	91,530
Capital assets being depreciated, net	<u>300,957</u>
Total Assets	<u>1,923,848</u>
LIABILITIES	
Accounts payable and other accrued liabilities	619,607
Unearned revenue	17,175
Long-term liabilities	
Due within one year	<u>138,543</u>
Total Liabilities	<u>775,325</u>
NET POSITION	
Investment in capital assets	300,957
Restricted for:	
TABOR	249,000
Special Education	92,000
Unrestricted	<u>506,566</u>
Total Net Position	<u><u>\$ 1,148,523</u></u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 3,793,533	\$ 142,617	\$ 1,277,961	\$ -	\$ (2,372,955)
Supporting services	4,277,791	-	6,693	249,614	(4,021,484)
Interest	13,333	-	-	-	(13,333)
Total governmental activities	<u>\$ 8,084,657</u>	<u>\$ 142,617</u>	<u>\$ 1,284,654</u>	<u>\$ 249,614</u>	<u>(6,407,772)</u>
General revenues:					
					6,521,549
					516,232
					248,563
					7,155
					7,293,499
					885,727
Net position - beginning					218,112
Prior period adjustment					44,684
Net position - beginning, as restated					262,796
Net position - ending					<u>\$ 1,148,523</u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
BALANCE SHEET
GENERAL FUND
JUNE 30, 2021

ASSETS

Cash and investments	\$ 871,718
Receivables	659,643
Prepays	<u>91,530</u>
 Total Assets	 <u><u>\$ 1,622,891</u></u>

LIABILITIES

Accounts payable and other accrued liabilities	\$ 619,607
Unearned revenue	<u>17,175</u>
 Total Liabilities	 <u>636,782</u>

FUND BALANCE

Non-spendable	91,530
Restricted for TABOR	249,000
Restricted for Special Education	92,000
Unassigned	<u>553,579</u>
 Total Fund Balance	 <u>986,109</u>

Total Liabilities and Fund Balance	<u><u>\$ 1,622,891</u></u>
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The accompanying notes are an integral part of these financial statements.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
RECONCILIATION OF THE GENERAL FUND 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	\$ 986,109
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	300,957
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:	
Loan payable	<u>(138,543)</u>
Total Net Position of Governmental Activities	<u>\$ 1,148,523</u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES

Local sources	\$ 913,767
State sources	7,123,908
Federal sources	910,119
	8,947,794
Total revenues	8,947,794

EXPENDITURES

Instruction	3,779,223
Supporting services	4,477,428
Debt service	
Interest	13,333
Principal	100,000
	8,369,984
Total expenditures	8,369,984
Excess (deficiency) of revenues over expenditures	577,810

OTHER FINANCING SOURCES (USES)

Proceeds from long-term debt	113,543
	691,353
Net change in fund balance	691,353
Fund balance - beginning, as originally stated	225,072
Prior period adjustment	69,684
	294,756
Fund balance, beginning	294,756
Fund balance, ending	\$ 986,109

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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	\$	691,353
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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. This is the amount by which capital outlays exceeded depreciation in the current year.

Depreciation expense	\$ (30,152)	
Loss on asset disposal	(8,800)	
Capital outlays	<u>224,279</u>	185,327

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 the governmental funds. Neither transaction, however, has any effect on net position

Redemption of principal	\$ 100,000	
Loan proceeds	(113,543)	
Forgiveness of interest	<u>22,590</u>	<u>9,047</u>

Change in Net Position of Governmental Activities	\$	<u><u>885,727</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ascent Classical Academy Charter Schools, Inc (the “Network”) is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized in 2017 pursuant to the Colorado Charter Schools Act to form and operate charter schools within the State of Colorado.

The Network comprises of two charter schools: Ascent Classical Academy of Douglas County (“Douglas County”) and Ascent Classical Academy of Northern Colorado (“Northern Colorado”). Both schools operate under contract with the Colorado Charter School Institute.

The financial statements of the Network have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Network are described below.

A. REPORTING ENTITY

The financial reporting entity consists of the Network and organizations for which the Network is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Network. In addition, any legally separate organizations for which the Network is financially accountable are considered part of the reporting entity. Financial accountability exists if the Network appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the Network.

Based upon the application of these criteria, there are no organizations that should be included in the Network’s reporting entity.

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.

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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the Network are organized and operated on the basis of funds. 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 is consistent with legal and managerial requirements.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The Network reports the following major governmental funds:

The *General Fund* is the general operating fund of the Network. It is used to account for all financial resources, except those required to be accounted for in another fund.

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.

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 120 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 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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*

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 may be sold.

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, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Network as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market 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.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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)

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

Leasehold improvements	10 years
Equipment	5 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Unearned Revenue

Unearned revenue includes resources received by the Network before it has a legal claim to them.

Long-term debt

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.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The Network 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 financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Network’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 Network 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.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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)

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.

Assigned – This classification includes amounts that are constrained by the Network’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 Network 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 per pupil revenue.

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.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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. 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. The variances between budget and actual may 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits	<u>\$ 871,718</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	<u>\$ 871,718</u>
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Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Network’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.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying amount of the Network’s deposits at June 30, 2021 was \$871,718 and the bank balances were \$871,868. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$621,868 was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

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

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

The Network had no investments as of June 30, 2021.

NOTE 4 –RECEIVABLES

Receivables consists of the following at June 30, 2021:

Receivable from CSI	\$ 55,985
Grants receivable	526,104
Other receivables	<u>77,554</u>
Total	<u>\$ 659,643</u>

NOTE 5 - 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, being depreciated:				
Leasehold improvements	\$ 104,354	\$ 145,209	\$ -	\$ 249,563
Equipment	<u>23,000</u>	<u>79,070</u>	<u>(11,000)</u>	<u>91,070</u>
Total capital assets, being depreciated	127,354	224,279	(11,000)	340,633
Less accumulated depreciation:				
Leasehold improvements	(7,724)	(12,673)	-	(20,397)
Equipment	<u>(4,000)</u>	<u>(17,479)</u>	<u>2,200</u>	<u>(19,279)</u>
Total accumulated depreciation	<u>(11,724)</u>	<u>(30,152)</u>	<u>2,200</u>	<u>(39,676)</u>
Total capital assets, being depreciated, net	<u>\$ 115,630</u>	<u>\$ 194,127</u>	<u>\$ (8,800)</u>	<u>\$ 300,957</u>

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Instruction	\$ (5,510)
Supporting services	<u>(24,642)</u>
	<u>\$ (30,152)</u>

NOTE 6 – LONG-TERM LIABILITIES

Loan payable

On June 18, 2019, the Network executed a \$329,000 loan to finance operations and payoff a prior loan. This loan bears interest at 8.0% with principal and outstanding interest due at maturity. This loan was paid off during the year.

On May 13, 2020, the Network executed a \$25,000 loan to finance operations. This loan bears interest at 8% with principal due at maturity on August 31, 2020. This loan remains outstanding at June 30, 2021.

On May 10, 2021, the Network executed a \$113,543 loan to finance operations. This loan bears interest at 0% with principal interest due at maturity in 2023.

The changes in long-term debt for the year ended June 30, 2021 were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Loan payable	\$ <u>125,000</u>	\$ <u>113,543</u>	\$ <u>(100,000)</u>	\$ <u>138,543</u>	\$ <u>138,543</u>

NOTE 7 – OPERATING LEASES

The Network leases school facilities under operating leases. The future minimum lease payments for leases are as follows:

Fiscal Year <u>Ending June 30</u>	
2022	\$ 778,756
2023	690,169
2024	703,989
2025	1,062,744
2026	1,083,795
2027-2029	<u>3,383,702</u>
Total	<u>\$ 7,703,154</u>

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – OPERATING LEASES (CONTINUED)

In addition to the base rents above, the leases require additional rents for other costs and expenses incurred by the lessor for operation, maintenance, and debt service for the leased property. For the fiscal year ended June 30, 2021, amounts expended under leases were \$1,203,228.

NOTE 8 - MANAGEMENT AGREEMENT

On October 17, 2017, the Network entered into a Management Agreement (Agreement) with Ascent Classical Academies (Ascent), a non-profit Colorado corporation. The Agreement continues until termination or expiration of the charter contract. Substantially all functions of the Network have been contracted to Ascent. Ascent is responsible and accountable to the Network's Board of Directors for the administration, operation and performance of the Network in accordance with the Network's contract with District to operate the Network. The Network pays Ascent a monthly continuing fee of 10% of qualified gross revenues received by the Network, net of any required withholding, for services performed.

The management fee earned by Ascent for the year ended June 30, 2021 was \$751,797. Ascent is responsible for all costs incurred in providing the educational program at the Network, which includes but is not limited to, salaries and benefits of all personnel, academic program implementation, finance, budgeting, payroll, human resources, support for school information technology systems, marketing and outreach, and other items identified in the Management Agreement.

NOTE 9 - RISK MANAGEMENT

The Network 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 Network purchases commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 10 – CONCENTRATION OF RISK

The Network is funded directly by the District based on the District's per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 73% of the Network's revenues.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants

The Network 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 Network, any such adjustments will not have a material adverse effect on the financial position of the Network.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – COMPLIANCE

The Network 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 Network 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 \$249,000 reservation of fund balance in the General Fund for the amendment.

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

NOTE 14 – RELATED PARTY TRANSACTIONS

The Network has entered into loan with The Erie County Investment CO (Note 6). The remaining loan balance was paid off during the year. The Network also entered into an operating lease for its facilities with The Bailey Company, LLLP (Note 7) which commenced on July 1, 2019. \$1,010,332 was paid under this operation lease during the year ended June 30, 2021. A member of the Network’s board of directors is the CFO of these two organizations. This relationship was disclosed to other board members prior to voting on these transactions, and the related party board member was recused from all such votes.

NOTE 15 – RESTATEMENT OF PRIOR YEAR BALANCES

During the year, Ascent Classical Academy of Northern Colorado was added to the Network resulting in the restatement of prior year balances.

Restatements had the following impact on previously reported balances:

Net Position, June 30, 2020, as originally stated	\$ 218,112
ACA Northern Colorado net position	<u>44,684</u>
Net Position, June 30, 2020, as Restated (deficit)	<u>\$ 262,796</u>
Fund Balance, June 30, 2020, as originally stated	\$ 225,072
ACA Northern Colorado fund balance	<u>69,684</u>
Fund Balance, June 30, 2020, as Restated	<u>\$ 294,756</u>

REQUIRED SUPPLEMENTARY INFORMATION

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Local sources	\$ 818,048	\$ 948,710	\$ 913,767	\$ (34,943)
State sources	6,793,708	7,133,338	7,123,908	(9,430)
Federal sources	448,700	855,496	910,119	54,623
Total revenues	<u>8,060,456</u>	<u>8,937,544</u>	<u>8,947,794</u>	<u>10,250</u>
EXPENDITURES				
Instruction	4,521,155	4,631,515	3,779,223	852,292
Supporting services	3,273,147	3,910,669	4,477,428	(566,759)
Property	100,000	273,269		273,269
Other	105,000	112,000		112,000
Debt service:				
Interest	-	-	13,333	(13,333)
Principal	-	-	100,000	(100,000)
Total expenditures	<u>7,999,302</u>	<u>8,927,453</u>	<u>8,369,984</u>	<u>557,469</u>
Excess (deficiency) of revenues over expenditures	61,154	10,091	577,810	567,719
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	150,000	113,543	(36,457)
Net change in fund balances	<u>61,154</u>	<u>160,091</u>	<u>691,353</u>	<u>531,262</u>
Fund balance - beginning, as originally stated	402,849	213,599	225,072	11,473
Adjustment to beginning fund balance	-	-	69,684	69,684
Fund balances - beginning	<u>402,849</u>	<u>213,599</u>	<u>294,756</u>	<u>81,157</u>
Fund balance - ending	<u>\$ 464,003</u>	<u>\$ 373,690</u>	<u>\$ 986,109</u>	<u>\$ 612,419</u>

See the accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2021

	Douglas County	Northern County	Total
ASSETS			
Cash and investments	\$ 659,910	\$ 211,808	\$ 871,718
Receivables	162,123	497,520	659,643
Prepays	91,530	-	91,530
Total Assets	<u>913,563</u>	<u>709,328</u>	<u>1,622,891</u>
LIABILITIES			
Accounts payable and other accrued liabilities	343,151	276,456	619,607
Unearned revenue	17,175	-	17,175
Total Liabilities	<u>360,326</u>	<u>276,456</u>	<u>636,782</u>
FUND BALANCE			
Non-spendable	91,530	-	91,530
Restricted for:			
TABOR	177,000	72,000	249,000
Special Education	64,900	27,100	92,000
Unassigned	219,807	333,772	553,579
Total Fund Balance	<u>553,237</u>	<u>432,872</u>	<u>986,109</u>
Total Liabilities and Fund Balance	<u>\$ 913,563</u>	<u>\$ 709,328</u>	<u>\$ 1,622,891</u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Douglas County</u>	<u>Northern Colorado</u>	<u>Total</u>
REVENUES			
Local sources	\$ 825,297	\$ 88,470	\$ 913,767
State sources	5,078,125	2,045,783	7,123,908
Federal sources	318,035	592,084	910,119
	<u>6,221,457</u>	<u>2,726,337</u>	<u>8,947,794</u>
EXPENDITURES			
Instruction	2,502,087	1,277,136	3,779,223
Supporting services	3,279,988	1,197,440	4,477,428
Debt service			
Interest	11,217	2,116	13,333
Principal	100,000	-	100,000
	<u>5,893,292</u>	<u>2,476,692</u>	<u>8,369,984</u>
Excess (deficiency) of revenues over expenditures	328,165	249,645	577,810
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	-	113,543	113,543
Net change in fund balance	328,165	363,188	691,353
Fund balance, beginning	<u>225,072</u>	<u>69,684</u>	<u>294,756</u>
Fund balance, ending	<u>\$ 553,237</u>	<u>\$ 432,872</u>	<u>\$ 986,109</u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DOUGLAS COUNTY
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Local sources	\$ 901,678	\$ 825,297	\$ (76,381)
State sources	5,050,154	5,078,125	27,971
Federal sources	323,452	318,035	(5,417)
Total revenues	<u>6,275,284</u>	<u>6,221,457</u>	<u>(53,827)</u>
EXPENDITURES			
Instruction	3,164,862	2,502,087	662,775
Support services	2,669,678	3,279,988	(610,310)
Property	220,000		220,000
Other	112,000	111,217	783
Total expenditures	<u>6,166,540</u>	<u>5,893,292</u>	<u>273,248</u>
Net change in fund balance	108,744	328,165	219,421
Fund balance, beginning	<u>143,915</u>	<u>225,072</u>	<u>81,157</u>
Fund balance, ending	<u><u>\$ 252,659</u></u>	<u><u>\$ 553,237</u></u>	<u><u>\$ 300,578</u></u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
NORTHERN COLORADO
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Local sources	\$ 47,032	\$ 88,470	\$ 41,438
State sources	2,083,184	2,045,783	(37,401)
Federal sources	532,044	592,084	60,040
Total revenues	<u>2,662,260</u>	<u>2,726,337</u>	<u>64,077</u>
EXPENDITURES			
Instruction	1,466,653	1,277,136	189,517
Support services	1,240,991	1,197,440	43,551
Property	53,269		53,269
Other	-	2,116	(2,116)
Total expenditures	<u>2,760,913</u>	<u>2,476,692</u>	<u>284,221</u>
Excess (deficiency) of revenues over expenditures	(98,653)	249,645	348,298
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	150,000	113,543	(36,457)
Net change in fund balance	51,347	363,188	311,841
Fund balance, beginning	<u>69,684</u>	<u>69,684</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 121,031</u></u>	<u><u>\$ 432,872</u></u>	<u><u>\$ 311,841</u></u>

See the accompanying independent auditors' report.