

**ASCEND COLLEGE PREP**

FINANCIAL STATEMENTS  
With Independent Accountants' Review Report

For the Year Ended June 30, 2022

**ASCEND COLLEGE PREP  
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JUNE 30, 2022**

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Ascend College Prep  
Colorado Springs, Colorado

To the Board of Directors:

We have reviewed the accompanying financial statements of the governmental activities and each major fund of Ascend College Prep, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Ascend College Prep and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **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 required 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 and for placing the basic financial statements in an appropriate

operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
November 30, 2022

**ASCEND COLLEGE PREP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022**

As management of Ascend College Prep (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- Liabilities of the school exceeded the assets of the school by \$13,133 during the fiscal year resulting in a negative net position balance.
- The School's total net position decreased \$14,245. This was the School's first year of operations.
- Long-term liabilities consist of a \$75,000 loan payable and \$141,378 lease payable. \$77,037 of the liabilities are due within one year.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$48,562.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

The government-wide financial statements distinguish functions of the School that are principally supported by per pupil revenues (PPR) or other sources of revenue such as grants and other contributions. The governmental activities of the School include the running of a charter school in Colorado Springs, Colorado.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

Governmental Funds. The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

## **Notes to the Basic Financial Statements**

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

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

***Net Position.*** As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities exceeded assets by \$13,133 as of June 30, 2022 resulting in a negative net position balance.

A portion of the School's net position represents resources that are subject to external restrictions on how they may be used. \$15,000 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The remaining deficit balance of \$28,133 is unrestricted.

### Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 59,798	\$ 0
Capital assets	<u>154,683</u>	<u>0</u>
Total assets	<u>214,481</u>	<u>0</u>
Current liabilities	88,273	0
Long-term liabilities	<u>139,341</u>	<u>0</u>
Total liabilities	<u>227,614</u>	<u>0</u>
Net position:		
Restricted	15,000	0
Unrestricted	<u>(28,133)</u>	<u>0</u>
Total net position	<u>\$ (13,133)</u>	<u>\$ 0</u>

### Condensed Statement of Activities

	<u>2022</u>	<u>2021</u>
Revenues:		
General revenues:		
Per pupil revenue	\$ 316,142	\$ 0
Other	5,279	0
Program Revenue:		
Charges for Services	28,820	0
Operating grants and contributions	<u>42,149</u>	<u>0</u>
Total revenues	<u>392,390</u>	<u>0</u>
Expenses:		
Instruction	36,060	0
Supporting services	308,702	0
Interest	<u>61,873</u>	<u>0</u>
Total expenses	<u>406,635</u>	<u>0</u>
Change in net position	(14,245)	0
Net position, beginning	<u>1,112</u>	<u>0</u>
Net position, ending	<u>\$ (13,133)</u>	<u>\$ 0</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$14,245 from the prior fiscal year for an ending deficit balance of \$13,133. As noted above, the decrease in net position results primarily from this being the School's first year of operations.

## **ANALYSIS OF THE SCHOOL'S FUNDS**

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

The General Fund is the principal operating fund of the School. As of June 30, 2022, the total general fund balance was \$48,562, an increase of \$47,450 in comparison with the prior year. \$15 thousand of this total was restricted for TABOR emergency reserves, resulting in a \$33,562 unassigned fund balance.

The general fund balance increase of \$47,450 during the current year is primarily due to a 32.18% increase in revenues and other financing sources compared to a 26.99% increase in expenditures over budget.

Revenues for the General Fund totaled \$392,391 in fiscal year 2022 compared to \$0 in fiscal year 2021, an increase of \$392,391. The significant increase in revenue was due this being the first year of school operations. Overall expenditures increased \$626,185. Instructional and supporting expenditures increased as a result of student enrollment and related staffing, as well as the direct expenses for serving those students.

## **BUDGETARY HIGHLIGHTS**

The School's budget is prepared in accordance with Colorado law. Actual General Fund revenue and other financing sources in the 2022 fiscal year were \$673,635 and actual expenditures were \$626,185 which resulted in an increase in fund balance of \$47,450.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The School-wide investment in capital assets for the primary government as of June 30, 2022 totaled 154,683 (net of accumulated depreciation of \$51,561).

### **Debt Administration**

At the end of current fiscal year, the School had \$216,378 in debt outstanding. During the year, the School entered into a long-term loan of \$75,000 and added \$141,378 in leases payable.

For more detailed information on capital assets and debt administration, see Notes 4 and 5 in the Notes to the Basic Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary factor driving the School's budget is student enrollment. Enrollment for the 2021-2022 school year was 37 students. Enrollment for the 2022-2023 school year is estimated at 74 students. The School has been experiencing an increase in Per Pupil Revenue (PPR) due to the state budget's focus on education funding from \$8,664 in the 2021-2022 school year to \$9,129.98 for the 2022-2023 school year.

The 2022-2023 School budget has been prepared with the School's strategic plan in mind and with the priority of providing financial resources for the quality education of Ascend College Prep's students.



## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the School's stakeholders and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karin McWhorter at 1650 Telstar Drive, Suite 110, Colorado Springs, CO 80920.

## **BASIC FINANCIAL STATEMENTS**

**ASCEND COLLEGE PREP**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 47,413
Deposits	12,385
Capital assets, net of accumulated depreciation	<u>154,683</u>
Total Assets	<u>214,481</u>
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	11,236
Long-term liabilities:	
Due within one year	77,037
Due in more than one year	<u>139,341</u>
Total Liabilities	<u>227,614</u>
<b>NET POSITION</b>	
Restricted for emergencies	15,000
Unrestricted	<u>(28,133)</u>
Total Net Position	<u><u>\$ (13,133)</u></u>

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

**ASCEND COLLEGE PREP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

<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	\$ 36,060	\$ 28,820	\$ 42,149	\$ -	\$ 34,909
Supporting services	308,702	-	-	-	(308,702)
Interest	61,873	-	-	-	(61,873)
Total governmental activities	<u>\$ 406,635</u>	<u>\$ 28,820</u>	<u>\$ 42,149</u>	<u>\$ -</u>	<u>(335,666)</u>
General revenues:					
Per pupil revenue					316,142
Unrestricted investment earnings					32
Miscellaneous					<u>5,247</u>
Total general revenues					<u>321,421</u>
Change in net position					(14,245)
Net position - beginning					<u>1,112</u>
Net position - ending					<u>\$ (13,133)</u>

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

**ASCEND COLLEGE PREP  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2022**

	General Fund
<b>ASSETS</b>	
Cash and investments	\$ 47,413
Deposits	12,385
	<hr/>
Total Assets	\$ 59,798
	<hr/> <hr/>
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	\$ 11,236
	<hr/>
Total Liabilities	11,236
	<hr/>
<b>FUND BALANCE</b>	
Restricted for TABOR	15,000
Unassigned	33,562
	<hr/>
Total Fund Balance	48,562
	<hr/>
Total Liabilities and Fund Balance	\$ 59,798
	<hr/> <hr/>

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

**ASCEND COLLEGE PREP  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

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

Total Fund Balance of Governmental Funds		\$	48,562
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Capital assets, net of accumulated depreciation/amortization			154,683
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:			
Lease payable	\$	(75,000)	
Loan payable		<u>(141,378)</u>	<u>(216,378)</u>
Total Net Position of Governmental Activities		\$	<u><u>(13,133)</u></u>

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

**ASCEND COLLEGE PREP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund
<b>REVENUES</b>	
Local sources	\$ 63,217
State sources	329,174
	<hr/>
Total revenues	392,391
	<hr/>
<b>EXPENDITURES</b>	
Instruction	242,305
Supporting services	308,702
Debt service:	
Interest	10,312
Principal	64,866
	<hr/>
Total expenditures	626,185
	<hr/>
Excess (deficiency) of revenues over expenditures	(233,794)
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<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from long-term debt	281,244
	<hr/>
Total other financing sources (uses)	281,244
	<hr/>
Net change in fund balance	47,450
Fund balance, beginning	1,112
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Fund balance, ending	\$ 48,562
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The accompanying notes are an integral part of these financial statements.

**ASCEND COLLEGE PREP  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

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

Net Change in Fund Balance of Governmental Funds	\$	47,450
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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	\$	(51,561)	
Capital Outlays		206,244	154,683

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 proceeds	\$	(281,244)	
Lease principal payment		64,866	(216,378)

Change in Net Position of Governmental Activities	\$	(14,245)
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The accompanying notes are an integral part of these financial statements.



## **NOTES TO FINANCIAL STATEMENTS**

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

The financial statements of Ascend College Prep (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 is a state nonprofit corporation that began operations in 2020, pursuant to the Colorado Charter Schools Act, to form and operate a charter school under contract within Colorado. The School contracts with Education ReEnvisioned Board of Cooperative Education Services (BOCES) for funding and administrative support. The School started admitting students in September 2021.

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.

Based on the application of these criteria, the School does not include additional organizations within its reporting entity.

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION*

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

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

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

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

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

The School reports the following major governmental funds:

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

*C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the School considers revenues to be available if they are collected within 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 120 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.

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

*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.

*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	3 years
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**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

*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.

*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 a noncancellable lease of buildings. 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.

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

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.

*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.

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

*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.

*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.

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

*E. ESTIMATES*

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

*F. UPCOMING ACCOUNTING AND REPORTING CHANGES*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based informational technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset and a corresponding liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Management has not yet determined the effect this statement will have on the School's financial statements.

**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.



**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2022 is as follows:

Deposits	\$ <u>47,413</u>
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Deposits and investments are reported in the financial statements as follows:

Restricted cash and investments	\$ <u>47,413</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 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, 2022 was 47,413 and the bank balances were \$51,361. All of the bank balances were covered by federal deposit insurance.

The School has no investments at June 30, 2022.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Lease assets being amortized:				
Buildings and improvements	\$ -	\$ 206,244	\$ -	\$ 206,244
Total lease assets being amortized	-	206,244	-	206,244
Less accumulated amortization for:				
Buildings and improvements	-	(51,561)	-	(51,561)
Total accumulated amortization	-	(51,561)	-	(51,561)
Total lease assets being amortized, net	-	154,683	-	154,683
Capital assets, net of accumulated depreciation/amortization	-	154,683	-	154,683
Total governmental activities capital assets	\$ -	\$ 154,683	\$ -	\$ 154,683

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

*Governmental Activities*

Instruction	\$ <u>51,561</u>
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**NOTE 5 – LEASES**

*School as lessee*

The School, as a lessee, has entered into a lease agreement for educational facilities with lease a term of 3 years. The total costs of these right-to-use lease assets are recorded as \$206,244 less accumulated amortization of \$51,561. The School has determined that as of June 30, 2022, 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, 2022 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 65,037	\$ 7,069	\$ 72,106
2024	70,434	3,817	74,251
2025	<u>5,907</u>	<u>296</u>	<u>6,203</u>
Total	<u>\$ 141,378</u>	<u>\$ 11,182</u>	<u>\$ 152,560</u>

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – LONG-TERM LIABILITIES**

*Initial Startup Loan*

On April 21, 2021, BOCES issued a \$75,000 startup loan. Proceeds of the loan were loaned to the School to provide operating capital. The loan bears no interest. Principal payments are due monthly starting on July 31, 2023 through 2029.

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

Fiscal Year Ending June 30	Governmental Activities
	<u>Principal</u>
2023	\$ 12,000
2024	12,000
2025	12,000
2026	12,000
2027	12,000
2028-2029	<u>15,000</u>
Total	<u>\$ 75,000</u>

Changes in the School's long-term liabilities for the year ended June 30, 2022, are as follows:

	Beginning Balance	<u>Additions</u>	<u>Deletions</u>	Ending Balance	Due Within <u>One year</u>
<i>Governmental Activities</i>					
Loan payable	\$ -	\$ 75,000	\$ -	\$ 75,000	\$ 12,000
Leases	<u>-</u>	<u>206,244</u>	<u>(64,866)</u>	<u>141,378</u>	<u>65,037</u>
<i>Total Governmental Activities</i>	<u>\$ -</u>	<u>\$ 281,244</u>	<u>\$ (64,866)</u>	<u>\$ 216,378</u>	<u>\$ 77,037</u>

All long-term liabilities are liquidated in the General fund.

**NOTE 7 - RISK MANAGEMENT**

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

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

**ASCEND COLLEGE PREP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 – 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.

**NOTE 9 - 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, 2022 there is a \$15,000 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**

**ASCEND COLLEGE PREP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 122,614	\$ 122,614	\$ 63,217	\$ (59,397)
State sources	329,260	329,260	329,174	(86)
Federal sources	5,000	5,000	-	(5,000)
Total revenues	456,874	456,874	392,391	(64,483)
<b>EXPENDITURES</b>				
Instruction	133,651	133,651	242,305	(108,654)
Supporting services	294,798	294,798	308,702	(13,904)
Debt service:				
Interest	-	-	10,312	(10,312)
Principal	-	-	64,866	(64,866)
Appropriated reserves	28,706	28,706	-	28,706
Total expenditures	457,155	457,155	626,185	(169,030)
Excess (deficiency) of revenues over expenditures	(281)	(281)	(233,794)	(233,513)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	281,244	281,244
Total other financing sources (uses)	-	-	281,244	281,244
Net change in fund balances	(281)	(281)	47,450	47,731
Fund balances - beginning	1,112	1,112	1,112	-
Fund balance - ending	\$ 831	\$ 831	\$ 48,562	\$ 47,731

See the accompanying Independent Accountants' Review Report.