

ASCEND COLLEGE PREP

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2026

ASCEND COLLEGE PREP
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JUNE 30, 2026

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ascend College Prep

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ascend College Prep, as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the Ascend College Prep's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ascend College Prep, as of June 30, 2026 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ascend College Prep and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ascend College Prep's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ascend College Prep's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ascend College Prep's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 20, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

The purpose of management’s discussion and analysis (MD&A) is to help Ascend College Prep’s (the School) stakeholders understand what the financial statements and notes in this financial report say about the School’s financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff’s knowledge of the School’s finances.

If you have questions about this report or require further information, contact Karin McWhorter at karinmcwhorter@ascendcollegeprep.com or 719.368.6936.

OVERVIEW OF THE FINANCIAL STATEMENTS

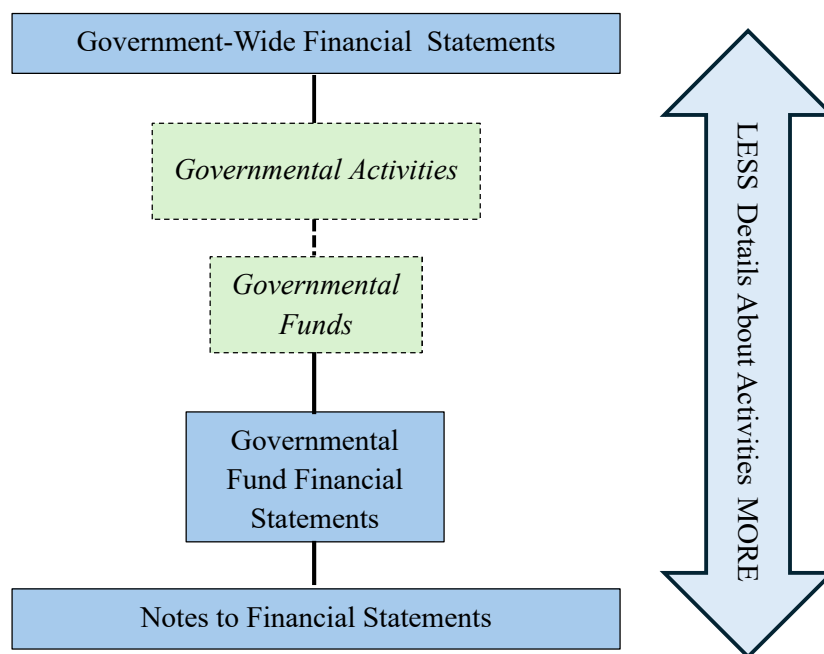
The School’s financial report contains basic financial statements. Those financial statements present the School’s finances at both an overall and a detailed level. The first two—the government-wide financial statements—cover the School’s governmental activities (See the diagram in Figure A-1.)

- Governmental activities comprise the School’s primary functions, including instruction, supporting services, school or general administration, operations and maintenance, pupil transportation, food service, and other programs and services provided to students, staff, and the community. Governmental activities are financed primarily through state equalization, property taxes, specific ownership taxes, grants, and other revenues received from the State of Colorado, the federal government, and other local sources, as applicable to the School.

The remaining basic financial statements present the School’s finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The School reports three groups of funds:

- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to School departments. In addition to the School’s main operating fund—the general fund—those financial statements may report special revenue funds for grants, food service, preschool, or other designated purposes; debt service funds to account for the repayment of bonds, certificates of participation, or other outstanding obligations; and capital projects funds to account for resources used for facility construction, improvements, and other capital outlay.

Figure A-1. Contents of the School's Basic Financial Statements



Lastly, the charter school component units of the School (which may be combined with other nonmajor component units in a single column in the government-wide financial statements) are disaggregated in *combining financial statements* for discretely presented component units following the fund financial statements.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the School's finances as reported in the financial statements. The information in the notes is as important to understanding the School's finances as the information in the financial statements. The School uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the School's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting*. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the School controls, from short-term assets like cash to long-term assets like roads and bridges.
- *Liabilities*—amounts the School owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- *Deferred outflows of resources and deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing debt or selling equipment, as well as principal and interest payments on debt and spending on the construction of a building.

Figure A-2 Types of Information Reported in the School's Financial Statements

	Financial Statements	
	Government-Wide	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term	Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues and additions	All types of revenues and additions that flow into the government during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses, deductions, and expenditures	All types of expenses, deductions, and expenditures that flow out of the government during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

ANALYSIS OF THE SCHOOL'S FINANCES

Table A-1
Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2026-2025
Current and other assets	\$ 125,215	\$ 159,857	-21.7%
Capital assets, net	289,066	428,428	-32.5%
Total assets	414,281	588,285	-29.6%
Long-term liabilities	40,838	406,164	-89.9%
Other liabilities	200,458	27,393	631.8%
Total liabilities	241,296	433,557	-44.3%
Net position			
Net investment in capital assets	59,223	22,264	166.0%
Restricted	42,100	40,000	5.3%
Unrestricted	71,662	92,464	-22.5%
Total net position	\$ 172,985	\$ 154,728	11.8%

Table A-1 shows that as of June 30, 2026, the School's total net position was \$172,985, an increase of \$18,257, or 11.8 percent, compared with fiscal year 2025. The increase reflects the financial performance of the School's governmental activities during fiscal year 2026. Most of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Governmental activities

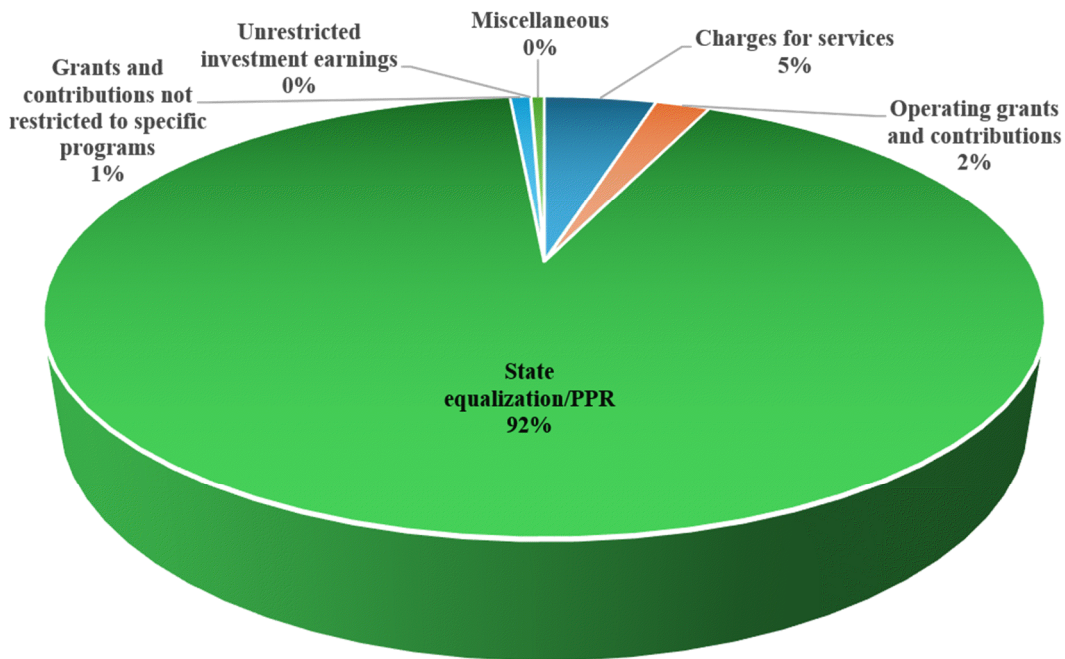
Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. Figures A-3 and A-4 show a breakout of revenue by source and expenditure by function. The total net position of the School's governmental activities was \$172,985, an increase of \$18,257 or 11.8 percent from fiscal year 2025. Various events contributed to this increase in net position; however, the four primary factors affecting the change in net position are as follows:

- 1) Growth in operating grants and contributions
- 2) Increases in revenues due to economic growth
- 3) State equalization/Per pupil revenue
- 4) Increases in expenses for certain programs and functions

Table A-2
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2026-2025
Revenues			
Program Revenues:			
Charges for services	\$ 66,033	\$ 68,679	-3.9%
Operating grants and contributions	31,972	27,639	15.7%
General revenues:			
State equalization/PPR	1,314,390	1,201,607	9.4%
Grants and contributions not restricted to specific programs	12,159	14,382	-15.5%
Unrestricted investment earnings	209	981	-78.7%
Miscellaneous	7,850	8,564	-8.3%
Total revenues	1,432,613	1,321,852	8.4%
Expenses			
Instruction	685,961	557,501	23.0%
Supporting services	711,837	710,532	0.2%
Interest and fiscal charges	16,558	23,252	-28.8%
Total Expenses	1,414,356	1,291,285	9.5%
Change in net position	18,257	30,567	-40.3%
Net position - beginning	154,728	124,161	24.6%
Net position - ending	\$ 172,985	\$ 154,728	11.8%

Figure A-3 Governmental Activities - Revenues by Source



Growth in operating grants and contributions

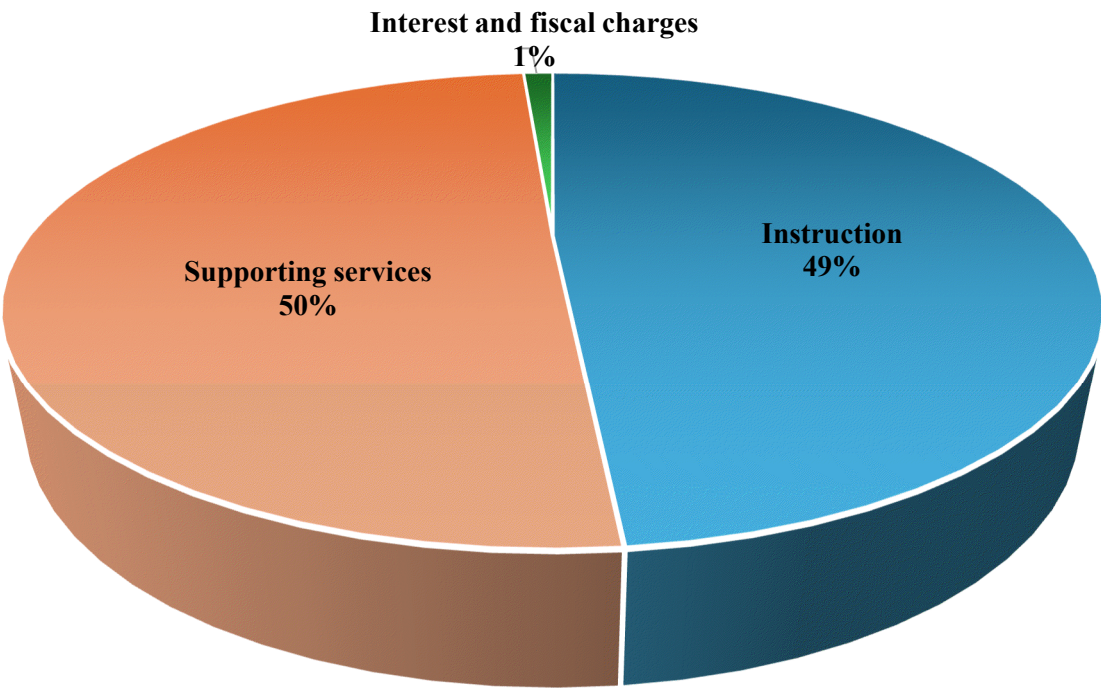
Operating grants and contributions, which accounted for 2.2 percent of overall revenues for governmental activities, increased 15.7 percent to \$31,972 in fiscal year 2026. The increase was primarily attributable to additional state and federal grant revenue, which totaled \$31,972, for instructional support, school safety, mental health, emergency preparedness, or other targeted programs. Most of the additional grant revenue was received through state and federal programs designed to support the School's operational and programmatic needs.

State equalization/Per pupil revenue

The largest single source of governmental activities revenue for the School is state equalization/per pupil revenue, which amounted to \$1,314,390 in 2026, or 91.7 percent of total governmental activities revenue. State equalization/per pupil revenue increased 9.4 percent in fiscal year 2026 due to changes in funded pupil count, formula funding, and other factors affecting per pupil revenue.

State equalization/per pupil revenue is determined under the Colorado school finance formula and is funded through a combination of local and state sources. For entities funded under that formula, increases in local property tax and specific ownership tax collections may reduce the state share, while decreases in local collections may increase the state share, without necessarily changing the total amount of formula funding received.

Figure A-4 Governmental Activities - Expenses by Function



Increases in expenses for certain programs and functions

The increases in revenue were accompanied by an increase in the School’s costs of providing services. Governmental activities expenses rose 9.5 percent overall. Most notably, instruction expenses increased by 23 percent in fiscal year 2026. As a result, instruction expenses represented approximately 49 percent of total expenses (see Table A-2). The increase in instruction expenses was primarily attributable to expanded instructional staffing and course offerings in anticipation of enrollment growth, including additional full-time instructional staff, additional instructors providing services as contractors, and increased student participation in online courses paid for by the School.

GOVERNMENTAL FUNDS

The School reports one major fund in the governmental fund financial statements, the general fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the School's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. The general fund is shown in Table A-3 and is discussed in more detail below.

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund	
	2026	2025
Revenues		
Local sources	\$ 86,251	\$ 93,355
State sources	1,327,362	1,226,871
Federal sources	19,000	1,625
Total revenues	1,432,613	1,321,851
Expenditures		
Instruction	546,598	476,104
Supporting services	711,838	710,532
Debt service	192,879	181,137
Total Expenditures	1,451,315	1,367,773
Excess (deficiency) of revenues over expenditures	(18,702)	(45,922)
Other financing sources (uses)		
Long-term debt proceeds	-	75,300
Total other financing sources (uses)	-	75,300
Net change in fund balances	(18,702)	29,378
Fund balance - beginning	132,464	103,086
Fund balance - ending	\$ 113,762	\$ 132,464

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

General fund

The fund balance of the School's general fund decreased by 14.1 percent. The decrease was primarily attributable to increased instructional expenditures as the School expanded staffing and course offerings in anticipation of enrollment growth. These expenditures included additional full-time instructional staff, additional instructors providing services as contractors, and increased costs for online courses provided to students.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The discussion thus far has only touched upon certain significant transactions and events during fiscal year 2026 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—decreased 32.5 percent over fiscal year 2025. The decrease in the lease asset for building space was primarily due to the amortization of the right-to-use asset over the lease term.

Leases

The School, as a lessee, has entered into lease agreements involving educational facilities with lease terms of 3 to 6 years. The total costs of these right-to-use lease assets are recorded as \$501,473, less accumulated amortization of \$321,766. The School has determined that as of June 30, 2026, there is no loss associated with an impairment of the right-to-use lease assets. The balance of future lease payments under lease agreements as of June 30, 2026, is \$188,477.

Loans

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, 2022, through 2029. In 2023, BOCES issued a \$60,000 loan. The loan bears no interest. Principal payments are due monthly starting on July 31, 2023 through 2028. As of June 30, 2026, the outstanding balance of the loan is \$51,000.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The School is aware of three significant developments that are expected to affect its financial position and operations during fiscal year 2026–27: the transition to authorization by the Colorado Charter School Institute (CSI), enrollment below the level assumed in the originally adopted budget, and financial obligations associated with the dissolution of the Education reEnvisioned BOCES (ERBOCES).

Transition to CSI

Effective July 1, 2026, Ascend College Prep transitioned to authorization by the Colorado Charter School Institute. As part of this transition, the School was required to restructure its employment model. The new structure is expected to result in approximately \$99,304 in additional fiscal year 2026–27 costs related to employer taxes, employment-related costs, and contracted employment services. These costs have been incorporated into the School's fiscal year 2026–27 financial planning.

Enrollment and Fiscal Year 2026–27 Budget

The School's original fiscal year 2026–27 budget, adopted by the Board on June 30, 2026, was based on 125 full-time equivalent (FTE) students. Initial funding from CSI was based on 120 FTE. The School's final October count is 115.5 FTE, resulting in an estimated reduction of approximately \$59,000 in anticipated per-pupil revenue compared with the initial CSI funding level.

Management has incorporated the lower enrollment into an amended fiscal year 2026–27 budget scheduled for Board consideration on October 20, 2026. The proposed amended budget addresses the enrollment-related revenue reduction and currently projects an approximately \$21,000 year-end surplus.

ERBOCES Dissolution

Following the dissolution of ERBOCES, the School has approximately \$51,000 in outstanding loan obligations. District 49, which is addressing certain matters related to the dissolution, has requested repayment of the outstanding balance by the end of fiscal year 2026–27. The School is also awaiting a determination from the Colorado Department of Education regarding certain gifted education funding associated with the prior fiscal year.

BASIC FINANCIAL STATEMENTS

ASCEND COLLEGE PREP
STATEMENT OF NET POSITION
JUNE 30, 2026

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 86,362
Grants receivables	19,000
Other receivables	2,574
Deposits	17,279
Capital assets, net of accumulated depreciation/amortization	<u>289,066</u>
Total Assets	<u>414,281</u>
LIABILITIES	
Accounts payable and other accrued liabilities	11,453
Long-term liabilities:	
Due within one year	189,005
Due in more than one year	<u>40,838</u>
Total Liabilities	<u>241,296</u>
NET POSITION	
Net investment in capital assets	59,223
Restricted for TABOR	42,100
Unrestricted	<u>71,662</u>
Total Net Position	<u><u>\$ 172,985</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, 2026**

<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	\$ 685,961	\$ 66,033	\$ 31,972	\$ -	\$ (587,956)
Supporting services	711,837	-	-	-	(711,837)
Interest	16,558	-	-	-	(16,558)
Total governmental activities	<u>\$ 1,414,356</u>	<u>\$ 66,033</u>	<u>\$ 31,972</u>	<u>\$ -</u>	<u>(1,316,351)</u>
General revenues:					
Per pupil revenue					1,314,390
Grants and contributions not restricted to specific programs					12,159
Unrestricted investment earnings					209
Miscellaneous					7,850
Total general revenues					<u>1,334,608</u>
Change in net position					18,257
Net position - beginning					<u>154,728</u>
Net position - ending					<u>\$ 172,985</u>

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

**ASCEND COLLEGE PREP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 86,362
Grants receivables	19,000
Other receivables	2,574
Deposits	<u>17,279</u>
Total Assets	<u><u>\$ 125,215</u></u>
LIABILITIES	
Accounts payable and other accrued liabilities	<u>\$ 11,453</u>
Total Liabilities	<u>11,453</u>
FUND BALANCE	
Restricted for TABOR	42,100
Unassigned	<u>71,662</u>
Total Fund Balance	<u>113,762</u>
Total Liabilities and Fund Balance	<u><u>\$ 125,215</u></u>

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

ASCEND COLLEGE PREP
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

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

Total Fund Balance of Governmental Funds	\$ 113,762
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	289,066
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:	
Long-term debt payable	<u>(229,843)</u>
Total Net Position of Governmental Activities	<u><u>\$ 172,985</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
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	<u>General Fund</u>
REVENUES	
Local sources	\$ 86,251
State sources	1,327,362
Federal sources	<u>19,000</u>
Total revenues	<u>1,432,613</u>
EXPENDITURES	
Instruction	546,598
Supporting services	711,838
Debt service:	
Interest	16,558
Principal	<u>176,321</u>
Total expenditures	<u>1,451,315</u>
Net change in fund balance	(18,702)
Fund balance, beginning	<u>132,464</u>
Fund balance, ending	<u><u>\$ 113,762</u></u>

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

**ASCEND COLLEGE PREP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026**

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

Net Change in Fund Balance of Governmental Funds	\$ (18,702)
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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	(139,362)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayment	<u>176,321</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 18,257</u></u>
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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, 2026

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, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School reports the following major governmental fund:

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, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

Leasehold improvements	2.5 - 5 years
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ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 net 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Leases

Lessee: The School is a lessee for noncancellable leases of 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.

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.

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Long-term liabilities

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

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

Net position

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

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

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

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

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

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance classification

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

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

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

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

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

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

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

E. ESTIMATES

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

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB Statement No. 105, *Subsequent Events*, was issued in December 2025 and is effective for fiscal years beginning after June 15, 2026. This statement defines subsequent events, modifies the subsequent events time frame, and requires the date through which subsequent events have been evaluated to be disclosed.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2026 is as follows:

Deposits	\$ <u>86,362</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	\$ <u>86,362</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, 2026 was \$86,362 and the bank balances were \$86,362. All of the bank balances were covered by federal deposit insurance.

Investments

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

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

The School had no investments as of June 30, 2026.

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 220,519	\$ -	\$ -	\$ 220,519
Total capital assets being depreciated	220,519	-	-	220,519
Less accumulated depreciation for:				
Buildings and improvements	(61,652)	(49,508)	-	(111,160)
Total accumulated depreciation	(61,652)	(49,508)	-	(111,160)
Total capital assets being depreciated, net	158,867	(49,508)	-	109,359
Lease assets being amortized:				
Buildings and improvements	501,473	-	-	501,473
Total lease assets being amortized	501,473	-	-	501,473
Less accumulated amortization for:				
Buildings and improvements	(231,912)	(89,854)	-	(321,766)
Total accumulated amortization	(231,912)	(89,854)	-	(321,766)
Total lease assets being amortized, net	269,561	(89,854)	-	179,707
Capital assets, net of accumulated depreciation/amortization	428,428	(139,362)	-	289,066
Total governmental activities capital assets	\$ 428,428	\$ (139,362)	\$ -	\$ 289,066

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

Governmental Activities

Instruction	\$ 139,362
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ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 4 – LEASES

School as lessee

The School, as a lessee, has entered into lease agreements involving educational facilities with lease terms of 3 to 6 years. The total costs of these right-to-use lease assets are recorded as \$501,473, less accumulated amortization of \$321,766. The School has determined that as of June 30, 2026, there is no loss associated with an impairment of the right-to-use lease assets.

The future lease payments under lease agreements as of June 30, 2026 are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 165,005	\$ 8,942	\$ 173,947
2028	<u>13,838</u>	<u>692</u>	<u>14,530</u>
Total	<u>\$ 178,843</u>	<u>\$ 9,634</u>	<u>\$ 188,477</u>

NOTE 5 – LONG-TERM LIABILITIES

Loans

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, 2022 through 2029.

In 2023, BOCES issued a \$60,000 loan. The loan bears no interest. Principal payments are due monthly starting on July 31, 2023 through 2028.

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

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>
2027	Principal \$ 24,000
2028	24,000
2029	<u>3,000</u>
Total	<u>\$ 51,000</u>

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Changes in the School's long-term liabilities for the year ended June 30, 2026, are as follows:

	<u>Beginning Balance</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<i>Governmental Activities</i>					
Loans payable	\$ 75,000	\$ -	\$ (24,000)	\$ 51,000	\$ 24,000
Leases	<u>331,164</u>	<u>-</u>	<u>(152,321)</u>	<u>178,843</u>	<u>165,005</u>
<i>Total Governmental Activities</i>	<u>\$ 406,164</u>	<u>\$ -</u>	<u>\$ (176,321)</u>	<u>\$ 229,843</u>	<u>\$ 189,005</u>

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

NOTE 6 - RISK MANAGEMENT

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

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

NOTE 7 – 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.

ASCEND COLLEGE PREP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 8 - 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, 2026 there is a \$42,100 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, 2026

	Budgeted Amounts		Variance with Original Budget	Actual Amounts	Variance with Final Budget
	Original	Final			
REVENUES					
Local sources	\$ 93,400	\$ 97,900	\$ 4,500	\$ 86,251	\$ (11,649)
State sources	1,324,431	1,327,362	2,931	1,327,362	-
Federal sources	5,000	21,091	16,091	19,000	(2,091)
Total revenues	1,422,831	1,446,353	23,522	1,432,613	(13,740)
EXPENDITURES					
Instruction	533,940	509,675	24,265	546,598	(36,923)
Supporting services	939,546	944,841	(5,295)	711,838	233,003
Debt service:					
Interest	-	-	-	16,558	(16,558)
Principal	-	-	-	176,321	(176,321)
Appropriated reserves	40,000	43,500	(3,500)	-	43,500
Total expenditures	1,513,486	1,498,016	15,470	1,451,315	46,701
Net change in fund balances	(90,655)	(51,663)	38,992	(18,702)	32,961
Fund balances - beginning	120,000	132,264	12,264	132,464	200
Fund balance - ending	\$ 29,345	\$ 80,601	\$ 51,256	\$ 113,762	\$ 33,161

See the accompanying Independent Auditors' Report.

ASCEND COLLEGE PREP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
JUNE 30, 2026

Budgetary Information

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

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

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

General Fund Budgetary Highlights

Original budget compared to final budget. The most significant differences between the original and final budget were as follows:

<u>Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Difference</u>
Instruction	533,940	509,675	24,265

The FY2026 budget was originally based on 120 FTE. Actual enrollment was 115.5 FTE, and the budget was amended to reflect the lower enrollment and corresponding instructional needs. Instruction expenditures were reduced by \$24,265, primarily because the School was able to reduce the number of course sections offered based on actual enrollment.

ASCEND COLLEGE PREP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
JUNE 30, 2026

Final budget compared to actual results. The most significant differences between the final budget and actual results were as follows:

Expenditures	Final Budget	Actual expenditures	Difference
Instruction	509,675	546,598	(36,923)
Supporting Services	944,841	711,838	233,003
Debt service:			
Principal	-	176,321	(176,321)

Instruction expenditures exceeded the final budget by \$36,923, primarily due to additional instructional staffing and course costs incurred during the year, including contracted instructors and online courses provided to students. Supporting services expenditures were \$233,003 below the final budget. The School budgets for certain student support services, including mental health and nursing services, based on anticipated needs. Because these services are utilized on an as-needed basis, actual expenditures were lower than budgeted when the anticipated level of support was not required during fiscal year 2026. The budget for leased facilities is included in the supporting services expenditures and was not separately identified, resulting in actual debt service expenditures exceeding budgeted levels.