

Community Challenge School

Financial Statements

June 30, 2012



Certified Public Accountant

Roy Willis Gentry, P.C.

Community Challenge School

Roster of School Officials

June 30, 2012

School Board Members

President	Ramon Bargas
Vice President	Daniel Dulaney
Secretary	Bobby Arellano
Member	Frank Vigil
Member	Ramon Bargas
Member	Benjamin Chea
Member	William F Robinson III

School Management

Eloy Chavez, Executive Director

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ROY WILLIS GENTRY, INC.
Certified Public Accountant

Board of Directors
Community Challenge School
Denver, Colorado

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities and each major fund of the Community Challenge School, component unit of the Denver School District, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the school, as listed in the table of contents. These financial statements are the responsibility of the Community Challenge School's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. My audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Community Challenge School, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read 'Roy W. Gentry', written in a cursive style.

Roy Willis Gentry, CPA
August 29, 2012

Management's Discussion and Analysis

As management of the Community Challenge Charter School, we offer readers of the Community Challenge Charter School's financial statements, this narrative overview, and analysis of the financial activities of the Community Challenge Charter School, for fiscal year ending June 30, 2012

Highlights

Community Challenge School (CCS) – **A Collaborative Community-Based School for “High Risk” Youth and their Families** is starting its thirteenth year of operation. CCS has developed and continues to provide a solid, stable, safe educational and human services environment that is conducive to quality teaching and learning. CCS has received positive audits for this and each of the previous years that it has been in operation. CCS has undergone a governmental-type financial audit conducted for the past twelve years. All of the CCS financial audit reports demonstrate that the school's financial statements, practices and procedures ended in conformity with accounting principles generally accepted in the United States of America. CCS has also successfully implemented the chart of accounts system, which is required by the Colorado Department of Education (CDE), and will continue to make necessary adjustments to ensure that we adhere to any future changes in budgetary requirements that may be set forth by the Denver Public Schools and/or CDE.

The net assets of the Community Challenge School were \$948,798.

At the close of the fiscal year ending June 30, 2012, Community Challenge School's governmental fund balance increased to \$948,798 from the end of school year ending June 30, 2011 balance of \$857,488.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Community Challenge School's finances, similar to a private-sector business.

The statement of net assets presents information showing how the School's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows. Furthermore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 3 and 4 of this report.

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Community Challenge, as with other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Community Challenge School are governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Community Challenge School's near-term financing requirements.

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

Community Challenge School maintains a General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's position. In the case of Community Challenge School, assets exceeded liabilities by \$948,798 at the close of the fiscal year.

Governmental Activities. For the year ended June 30, 2012 governmental activities increased Community Challenge School's net assets by \$91,310.

Change in Net Assets	<u>2012</u>	<u>2011</u>
Program Revenues		
Operating Grants and Contributions	\$ 656,966	\$ 349,605
General Revenues		
Per Pupil Revenue	1,463,898	1,488,715

Management's Discussion and Analysis

Capital Construction Funding	16,822	19,002
Investment Earning	6,686	6,425
DPS Technology Revenue	1,458	-
TGYS Grant	-	38,360
Other	<u>41,073</u>	<u>20,337</u>
 Total Revenues	 2,186,903	 1,922,444
 Expenses		
Instruction	1,155,839	900,512
Support	<u>939,754</u>	<u>837,984</u>
Total Expenses	2,095,593	1,738,496
 Increase*(Decrease) In Net Assets	 91,310	 183,948
 Net Assets, Beginning of year	 857,488	 673,540
 Net Assets, End of year	 948,798	 857,488

Following is a summary of the School's net assets, liabilities and fund balances at June 30, 2012 and 2011.

Net Assets

Assets		
Current and other assets	\$ 954,457	\$ 863,659
Capital asset	<u>-</u>	<u>-</u>
Total Assets	954,457	863,659
 Current Liabilities	 5,659	 6,171
Net Assets		
Invested in Capital Assets		
Reserved for Emergencies	71,074	62,650
Restricted for Emergencies - TABOR	39,920	45,323
Reserved for Emergencies - TABOR	14,821	1,881
Unrestricted Emergency Fund	<u>822,983</u>	<u>747,634</u>
 Total Net Assets	 948,798	 857,488

Financial Analysis of the School's Funds

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

At the end of the fiscal year Community Challenge School's governmental funds reported a combined ending fund balance of \$948,798.

Management's Discussion and Analysis

Community Challenge experienced a positive budget year in 2011 – 2012. CCS generated approximately \$656,966 in grant funding, and expanded its enrollment from the previous year of 211 students to 213 students. With the additional 2 students, CCS increased its PPF revenue by \$13,746 for the 2011–2012 fiscal year. CCS ended the school year debt free with a positive fund balance of \$948,798.

Denver Public Schools is the major funding source of Community Challenge School.

General Fund Budgetary Highlights

CCS received anticipated grant funds for the 2011–2012 school year. Moreover, the school received an additional \$13,746 in PPF revenue. 2011-2012 was a positive budget year for CCS; the school ended the year with a positive revenue balance.

Capital Asset Debt Administration:

Community Challenge School had no investment in capital assets as of June 30, 2012.

Economic Factors and Next Year's Budget

Community Challenge School's economic factors depend largely on the funding from Denver Public Schools. However, the school does not plan to increase student enrollment beyond 213 students in subsequent years. CCS has managed to establish a positive fund balance of \$948,798 by successfully securing various grant funding to pay for various staff positions, and to off-set other program expenses. To continue this trend of maintaining a positive fund balance, and to sustain the school for future years, in addition to PPF received from DPS, the Executive Director, Board of Directors, and a team of grant writers will continue to aggressively seek grant funding opportunities.

CCS was awarded a four-year, \$978,977 Expelled and At-Risk Student Services grant from the Colorado Department of Education; a three-year, \$375,139 School Counselor Corps Grant from the Colorado Department of Education and a \$20,000 grant from the Division of Behavioral Health Services. These grants allow CCS to enhance and expand our human component by providing academic career counseling and a broad array of other services to help mitigate substance use/abuse, and other behaviors that would lead to suspension and/or expulsion, and ultimately dropping out of school. These additional program services will help keep students in school, and prepare them for high school graduation and college.

CCS has successfully completed its 12th year of operation. CCS has developed and continues to provide a solid, stable, safe educational environment that is conducive to quality teaching and learning. The CCS model continues to emphasize academic achievement first with support of a strong human services component. The high-risk population that CCS attracts has demanding behavioral issues that require intervention when students initially enroll in our school. Our students are not typically emotionally or behaviorally ready to value school. School is not a priority for these students; therefore, they are not necessarily at a learner readiness stage for further intellectual development.

Management's Discussion and Analysis

Via our strong human services component, CCS has effectively used Erick Erickson's Stages of Change model to assist students in developing the pro-social skills needed to help them transition to the learner readiness stage necessary to experience academic success (often for the first time in their lives).

CCS successfully completed a 5- year strategic business plan, which includes but is not limited to: fund raising (includes grant writing) staff development, student recruitment, program development, community partnership building, strengthening of our Information Technology (IT) infrastructure to include a comprehensive catastrophic plan, and facilities acquisition. We are very proud of the fact that the CCS Self-study Committee that was established in September 2006 successfully completed a year-long planning process for our charter renewal application. We submitted our application to DPS and were awarded a 5 year renewal contract from July 1, 2008 – June 30, 2013.

CCS is in the final year of its current 5 year contract and has completed Phase I of the application process for a successive new 5 year contract with DPS. The administration of the school is completing the final phase of the application process which will be submitted by the DPS due date. We will continue to aggressively seek funding sources that will enable us to continue to target critical programmatic areas, secure additional academic expertise and learning resources, and further put our school on firm footing so we can remain an enduring educational anchor for the students, families and community we serve.

The CCS philosophy is to exhaust all efforts to provide the best possible education for high-risk students and their families. Our programs are designed to prepare our students for return to the mainstream DPS school system, to graduate from high school, attend college and lead productive lives. Our primary goal is **ACADEMIC SUCCESS** for all students.

Request for Information

This financial report is designed to provide a general overview of Community Challenge School's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Eloy Chavez, Executive Director, 948 Santa Fe Drive, Denver, Colorado 80204.

COMMUNITY CHALLENGE SCHOOL

STATEMENT OF NET ASSETS

June 30, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 758,387	\$ 763,048
Cash-TABOR Reserve	14,821	\$ 1,881
Accounts Receivable	141,329	37,802
Prepaid Expenses	-	15,605
Reserves Held by Denver Public Schools	39,920	45,323
	<u>954,457</u>	<u>863,659</u>
TOTAL ASSETS		
LIABILITIES		
Accrued Payroll Liabilities	1,039	1,771
Accrued Audit Expense	4,620	4,400
	<u>5,659</u>	<u>6,171</u>
TOTAL LIABILITIES		
NET ASSETS		
Restricted for Emergencies	-	-
Reserved for Emergencies	71,074	62,650
Restricted for Emergencies - TABOR	39,920	45,323
Reserved for Emergencies - TABOR	14,821	1,881
Unrestricted Fund	822,983	747,634
	<u>948,798</u>	<u>\$ 857,488</u>
TOTAL NET ASSETS		

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

COMMUNITY CHALLENGE SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

<u>FUNCTIONS/POGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>	
			<u>2012</u>	<u>2011</u>
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	1,155,839	656,966	(498,873)	\$ (550,907)
Supporting Services	939,754	-	(939,754)	(837,984)
Total Governmental Activities	<u>2,095,593</u>	<u>656,966</u>	<u>(1,438,627)</u>	<u>(1,388,891)</u>
GENERAL REVENUES				
			1,463,898	1,488,715
Per Pupil Operating Revenue			20,960	20,337
Mill Levy			16,822	19,002
Capital Construction Funding			6,686	6,425
Investment Earnings			-	38,360
TGYS Grant			21,571	-
Other				
			<u>1,529,937</u>	<u>1,572,839</u>
			91,310	183,948
			<u>857,488</u>	<u>673,540</u>
			<u>\$ 948,798</u>	<u>\$ 857,488</u>

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

COMMUNITY CHALLENGE SCHOOL

BALANCE SHEET
ALL GOVERNMENTAL FUNDS

June 30, 2012

	<u>GENERAL</u>	<u>TOTAL</u>	
		<u>2012</u>	<u>2011</u>
ASSETS			
Cash	\$ 758,387	\$ 758,387	\$ 763,048
Cash-TABOR Reserve	14,821	14,821	1,881
Accounts Receivable	141,329	141,329	37,802
Prepaid Expenses	-	-	15,605
Reserves Held by Denver Public Schools	39,920	39,920	45,323
	<u>954,457</u>	<u>954,457</u>	<u>863,659</u>
TOTAL ASSETS	\$ 954,457	954,457	\$ 863,659
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued Payroll Liabilities	1,039	1,039	\$ 1,771
Accrued Audit Expense	4,620	4,620	4,400
	<u>5,659</u>	<u>5,659</u>	<u>6,171</u>
TOTAL LIABILITIES	5,659	5,659	6,171
FUND BALANCES			
Restricted for Emergencies	-	-	-
Reserved for Emergencies	71,074	71,074	62,650
Restricted for Emergencies - TABOR	39,920	39,920	45,323
Reserved for Emergencies - TABOR	14,821	14,821	1,881
Unreserved, Reported in General Fund	822,983	822,983	747,634
	<u>948,798</u>	<u>948,798</u>	<u>857,488</u>
TOTAL FUND BALANCES	948,798	948,798	857,488
TOTAL LIABILITIES AND FUND BALANCES	\$ 954,457	954,457	\$ 863,659

The accompanying notes are an integral part of the financial statements

COMMUNITY CHALLENGE SCHOOL

STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	GENERAL	CAPITAL CONSTRUCTION	TOTAL	
			2012	2011
REVENUES				
Local Sources	\$ 49,713	\$ -	\$ 49,713	\$ 1,553,837
State Sources	1,944,749	16,822	1,961,571	26,170
Federal Sources	175,619	-	175,619	342,437
TOTAL REVENUES	2,170,081	16,822	2,186,903	1,922,444
EXPENDITURES				
Instruction	1,155,839	-	1,155,839	900,512
Supporting Services	922,932	16,822	939,754	837,984
TOTAL EXPENDITURES	2,078,771	16,822	2,095,593	1,738,496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	91,310	-	91,310	183,948
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	91,310	-	91,310	183,948
FUND BALANCES, Beginning	857,488	-	857,488	673,540
FUND BALANCES, Ending	\$ 948,798	\$ -	\$ 948,798	\$ 857,488

The accompanying notes are an integral part of the financial statements

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Challenge School was formed in July 2000 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver School District.

The accounting policies of Charter Community Challenge School (the "School") conform to generally accepted accounting principles applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

Based on the application of these criteria, the School does not include additional organizations within its reporting entity. The School is a component unit of the Denver School District (the "District"). The majority of the School's funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report on information on all activities of the School. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function 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 others 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. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental Fund financial statements are reported using current financial resources measurement focus and modified accrual basis accounting. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenues, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the School.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balances/Net Assets

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

Capital Assets – Capital assets, which include building improvements and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Deferred Revenues – Deferred revenues include grant funds that have been collected but the corresponding expenditures have not been incurred.

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets (Continued)

Net Assets/Fund Balance – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries Commercial insurance for these risks of loss.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying Financial statements in order to provide an understanding of changes in the School's Financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

Deposits

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 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. At June 30, 2012, the School had bank deposits of \$758,387 held by financial institutions that were eligible public depositories. These deposits are collateralized.

Investments

The School is required to comply with State statutes which specify investments meeting defined rating, maturity, custodial and concentration of risk criteria in which local governments may invest, which include:

- Obligation of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
 - Commercial paper
 - Written repurchase agreements collateralized by certain authorized securities
 - Certain money market funds
 - Guaranteed investment contracts

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Local government investment pools

At June 30, 2012, the School had no investments.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2012, are summarized below.

	<u>Balances</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/12</u>
Building Improvements	\$150,361	\$ 0	\$ 0	\$ 150,361
Machinery and Equipment	<u>45,324</u>	<u>0</u>	<u>0</u>	<u>45,324</u>
Total	195,685	0	0	195,685
Accumulated Depreciation	<u>(195,685)</u>	<u>0</u>	<u>0</u>	<u>(195,685)</u>
Net Capital Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 4: OPERATING LEASES

The School has entered into an operating lease with an individual for building space. The lease payments, of \$5,400, are due monthly through June 30, 2014. The lease can be terminated by the lessee any time after July 1, 2009, by giving the landlord 90 days written notice. Future minimum lease payments for years ending June 30 are as follows:

<u>Years ending June 30:</u>	
2013	\$5,400
2014	5,400
2015	<u>5,400</u>
	<u>\$16,200</u>

NOTE 5: PENSION PLAN

Denver Public Schools Retirement System

Plan Description – The School contributes to the Denver Public Schools Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan (The Plan), to provide defined retirement, death and disability benefits to plan members and beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report can be obtained at the System’s office at 1301 Pennsylvania Street, Suite 700, Denver, CO 80203-5015. The Plan was established in 1945 through State statute.

Funding Policy – Employer contributions are based on the funding policy required by Plan provisions. The employer contribution rate was originally fixed at 2.9% of covered salary for the period from July 1, 2000 to June 30, 2010. However, should unfunded actuarial accrued liabilities (UAAL) accumulate during this period, the employer

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

contribution rate each year will increase by the amount required to amortize the UAAL over 30 years. The Actuary of the System issues an annual report as of January 1 of each year. The District adopts changes in the employer contributions rates for its fiscal year beginning 18 months after the date of the annual actuarial valuation report. Up until December 31, 2009 the School contributed to the Denver Public Schools Retirement System. Effective January 1, 2010, as mandated by the State Legislature, the School is now part of the state-wide PERA pension plan. Employee contributions were 8% of gross salaries through June 30, 2012 with the school contributing 8.7% of gross salaries. For the 2011-2012 school year, pension contributions totaled \$146,584. The employer rate increased from 3.63% to 3.88% in January of 2012 and the employer share of the above contribution was \$42,013. During the years ended June 30, 2012, 2011, 2010, 2009, 2008, and 2007, the School made contributions totaling \$129,326, \$105,500, \$82,235, \$120,250, \$127,989, and \$50,973, respectively, to the Plan.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (the PCOPs) on July 19, 1997, to fully fund the unfunded actuarial accrued liability (the UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. For the period from July 1, 2009 to June 30, 2010 the actuarial adjusted rate was 13.72%. This rate is based on actuarially determined contribution requirements, the approval and recommendation of the Plan Board and approval of the District's Board of Education. The School contributed an average of 12.21% of covered payroll to the District to cover its obligation relating to the PCOPs during the year ended June 30, 2012.

During the years and ended June 30, 2012, 2011, 2010, 2009, 2008, and 2007, the School made contributions totaling 134,713, \$114,297, 114,119, \$94,786, \$73,412, and \$62,666, respectively, to the District towards its PCOPs obligation.

NOTE 6:

COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal, state and local programs that are fully or partially funded by grants received. If expenditures are disallowed due to noncompliance with grant program regulations, it could have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. The Tabor Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of expenditures. At June 30, 2012, cash in the amount of \$39,920 was held by the District on behalf of the School for this reserve, and \$14,821 was allocated to the reserve and held in the schools general fund cash account for a total reserve of \$54,741.

NOTE 7:

Related Party

The School and Adolescent Counseling Exchange (ACE), a Colorado nonprofit organization, share the same facilities, staff and board of directors.

COMMUNITY CHALLENGE SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Required Supplementary Information

COMMUNITY CHALLENGE SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2012

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL	VARIANCE Positive (Negative)	2011 ACTUAL
REVENUES				
Local Sources				
Per pupil Operating Revenue		-	-	\$ 1,488,715
Mill Levy	20,960	20,960	-	20,337
Investment Earnings	6,686	6,686	-	6,425
TGYS Grant		-	-	38,360
Other Grants	1,458	1,458	-	-
Contributions	496	496	-	-
Other	20,113	20,113	-	-
	<u>49,713</u>	<u>49,713</u>	<u>-</u>	<u>1,553,837</u>
State Sources				
Per pupil Operating Revenue	\$ 1,463,898	1,463,898	-	-
Capital Construction	16,822	16,822	-	19,002
DPS ELPA Funding	10,486	10,486	-	7,168
Expelled At-Risk	311,424	311,424	-	-
Division of Behavioral Health	20,000	20,000	-	-
School Conuselor Corps	138,941	138,941	-	-
	<u>1,961,571</u>	<u>1,961,571</u>	<u>-</u>	<u>26,170</u>
Federal Sources				
U.S. Dept. of Education	-	-	-	148,732
Title I	152,042	152,042	-	179,547
Title II	14,937	14,937	-	14,158
Title III	8,640	8,640	-	-
	<u>175,619</u>	<u>175,619</u>	<u>-</u>	<u>342,437</u>
TOTAL REVENUES	<u>2,186,903</u>	<u>2,186,903</u>	<u>-</u>	<u>1,922,444</u>
EXPENDITURES				
Instruction				
Salaries	617,783	617,783	-	480,940
Employee Benefits	147,952	147,952	-	126,464
Purchased Services	302,076	302,076	-	211,372
Supplies and Materials	88,028	88,028	-	81,736
Other	-	-	-	-
Total Instruction	<u>1,155,839</u>	<u>1,155,839</u>	<u>-</u>	<u>900,512</u>
Supporting Services				
Salaries	483,573	483,573	-	477,766
Employee Benefits	131,460	131,460	-	127,792
Purchased Services	317,095	317,095	-	227,838
Supplies and Materials	7,626	7,626	-	4,588
Other	-	-	-	-
Total supporting services	<u>939,754</u>	<u>939,754</u>	<u>-</u>	<u>837,984</u>
TOTAL EXPENDITURES	<u>2,095,593</u>	<u>2,095,593</u>	<u>-</u>	<u>1,738,496</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>91,310</u>	<u>91,310</u>	<u>-</u>	<u>183,948</u>
OTHER FINANCING USES				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>91,310</u>	<u>91,310</u>	<u>-</u>	<u>183,948</u>
FUND BALANCE, Beginning	<u>857,488</u>	<u>857,488</u>	<u>-</u>	<u>673,540</u>
FUND BALANCE, Ending	<u>\$ 948,798</u>	<u>\$ 948,798</u>	<u>-</u>	<u>\$ 857,488</u>

See Accompanying Independent Auditor's Report

COMMUNITY CHALLENGE SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Community Challenge School

Notes to Required Supplementary Information

June 30, 2012

NOTE 1: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The School adheres to the following procedures in establishing the Budgetary data reflected in the financial statements.

- Budgets are required by State law for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), By June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.