

GOAL ACADEMY CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2012

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis i - vi

Basic Financial Statements

Statement of Net Assets 1

Statement of Activities 2

Balance Sheet – All Governmental Funds 3

Statement of Revenues, Expenditures and Changes in Fund Balances –
All Governmental Funds 4

Notes to the Financial Statements 5 – 14

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 15

FINANCIAL SECTION



JOHN CUTLER
& ASSOCIATES

Board of Directors
GOAL Academy Charter School
Westminster, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of GOAL Academy Charter School, 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 GOAL Academy Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of GOAL Academy Charter School, as of June 30, 2012, and the respective changes in financial position for year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - vi and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

November 1, 2012

Guided Online Academic Learning Academy (GOAL)

Roster of Board Officers June 30, 2012

**Melanie Bravo
Heidi Carey
Tony Exum
Paul Jones
Tom Montano
Brad Rice
Cosmo Solano**

School Administrators

**Kenneth D. Crowell, MBA
Executive Director
Kristan Enright, Ed.D.
Assistant Executive Director**

**Guided Online Academic Learning Academy (GOAL)
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2012**

By this document, management of the Guided Online Academic Learning Academy charter school (GOAL), is providing a brief narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2012 and an attached independent, third-party audit (Audit).

Financial Highlights

- The assets of GOAL exceeded its liabilities as of 6/30/12 by \$2,506,747 (net assets).
- The financial year has seen a dramatic change in the growth of the school with a staff growth of 35% to meet a student growth of 60%. The 2011-2012 count was 2187 total students both new and returning compared to last year's official student count of 1343.5
- The results of the FY 2012 October count will not be final until early December. GOAL is currently funded for 2,825 students; the actual count is anticipated to be in the range of 2,550-2,590. A funding adjustment will occur in December to 'true up' any over funding.
- GOAL Academy has been approved by the IRS as a 501-c(3) nonprofit and is a tax-exempt organization in the state of Colorado.
- The organization has developed some long-term investment plans and has established investment accounts with Wells Fargo bank. These accounts are designated the reserve account for TABOR requirement and a general reserve account for use as allowed under Colorado Revised Statutes and the Financial Policy and Procedures Manual established by Colorado Department of Education and the FPP Committee.
- The administrative team meets each month with members of the Board's Finance Committee to go over the budget, income, and balance sheets in detail. At each monthly Board meeting, the Chief Operations Officer reports GOAL's financial position, comprehensively but not at the same level of detail as with the Finance Committee.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to GOAL's basic financial statements. GOAL's basic financial statements have three components:

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements: Government-wide financial statements are designed to provide readers with a broad overview of GOAL's finances, using accounting methods similar to those used by a private-sector business.

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

The Statement of Activities presents information showing how GOAL's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of GOAL that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). GOAL only reports governmental activities.

Governmental Activities: Most of GOAL's basic services are included here, such as instructional services, support services and student activities. Other services include activities relating to building maintenance and operations, student transportation, technology and administration.

Government-wide financial statements can be found starting on page 1-2 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund financial statements provide more detailed information about the operations of GOAL by fund instead of GOAL as a whole. All of the funds of GOAL are governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in Government-wide financial statements. However, unlike Government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on valances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. GOAL's most significant, or "major", governmental fund is the General Fund.

Because the focus of governmental funds is narrower than that of Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in Government-wide financial statements. By doing so, readers may better understand the long-term impact of the state government's education funding decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

GOAL adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided to demonstrate compliance with state budget statutes. The Budgetary Comparison Schedule is shown on page 15.

While the basic governmental fund financial statements are included in this discussion and analysis, a complete financial summary is provided in the attached Audit.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of data provided in Government-wide and financial statements. The Notes to the Financial Statements can be found in the attached Audit.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning GOAL's annual appropriated budgets.

Government-wide Financial Analysis:

The following table presents a summary of activities and changes in net assets for the fiscal years ended June 30, 2011 and 2012:

STATEMENT OF NET ASSETS

		Governmental Activities	
		2012	2011
Assets			
	Cash and Equivalents	2,697,665	1,158,507
	Accounts Receivable		95,455
	Prepaid Items	33,501	-
	Grants Receivable		
	Deposits	2,000	1,300
	Capital Assets, Depreciated, Net of Accumulated Depreciation	-	-
Total Assets		2,733,166	1,255,262
Liabilities			
	Accounts Payable	1,284	25,152
	Accrued Expenses	15,625	-
	Accrued Salaries and Benefits	208,520	185,956
	Deferred Revenues	990	-
Total Liabilities		226,419	211,108
Net Assets			
	Invested in Capital Assets		
	Restricted for TABOR	408,000	251,000
	Unrestricted	2,098,747	793,154
Total Net Assets		2,506,747	1,044,154

STATEMENT OF ACTIVITIES

		2012	2011
Revenues			
	Per Pupil Revenue	12,804,808	8,353,530
	Operating Grants-Instruction	600,032	
	Operating Grants-Support Services	20,306	
	Interest		
	Other Revenues	<u>757,940</u>	<u>927,432</u>
	Total Revenues	14,183,086	9,280,962
Expenses			
	Instruction	5,889,325	4,294,400
	Operating Grants	0	0
	Support Services	<u>6,831,168</u>	<u>4,905,059</u>
	Total Expenses	12,720,493	9,199,459
	Change in NET ASSETS	1,462,593	81,503
Fund Balance Net Assets (Beginning)		<u>1,044,154</u>	<u>666,684</u>
	Prior period adjustment		295,967
	Fund Balance Net Assets (Ending)	<u><u>2,506,747</u></u>	<u><u>1,044,154</u></u>

Governmental Activities: Net assets from governmental activities (before transfers) increased \$1,462,593. This increase was a result of funding received by granting agencies which significantly increased revenues for GOAL as compared to the prior year and sedulous adherence to a well-designed budget.

The majority of GOAL's operations revenues are generated from total program funding as determined by the School Finance Act of 1994 (see further discussion in Economic Factors below). Total State Program Funding is comprised of general fund property taxes, specific ownership taxes, and state equalization as enumerated above.

Financial Analysis of the School's Funds

GOAL utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of GOAL's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing GOAL's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, GOAL's governmental funds reported combined ending fund balances of \$2,506,747.

Budget Variances in the General Fund: GOAL's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected in the Required Supplementary Information beginning on page 15 of the Audit. The most significant budgeted fund is the General Fund.

Capital Assets: GOAL Academy has limited capital assets. The main items are two converted motor homes used as mobile classrooms, three vans and two trucks to transport materials from site to site.

Long-Term Debt: GOAL Academy has no long-term debt.

Leases: Goal Academy leases office space in Westminster, CO, within the chartering school district. It additionally has a regional administrative office in Pueblo, CO that supports the southern half of the state. GOAL additionally leases mall and unattached office spaces in the following locations to provide staff workspace and access for student support: Alamosa, Aurora, Canon City, Colorado Springs (two locations), Craig, Denver (three locations), Fort Collins, Grand Junction, Greeley, La Junta, Lakewood, Longmont, Pagosa Springs, Pueblo (two locations), Trinidad, Westminster (student support).

These mall and office locations are drop-in centers where students may receive ad-hoc instructional tutoring, participate in preliminary and annual testing, as well as receive technical support for their laptops and internet connection equipment. These are not sites intended specifically or exclusively for student instruction. The bulk of that is provided virtually and online. Based on situational need and participative interaction in various onsite activities, students may meet with admissions and support counselors, teachers and coaches, Exceptional Student Services providers, and other support personnel.

Additional information can be found in the Notes to the Financial Statements in the Audit attached to this report.

Economic Factors:

For year 2012-13: For year, 2012-13 enrollment at the end of June 30, 2012 increased to 2,187 from 1,343 for the prior school year. However, the school was funded for the first half of the year at only 1,557 students which caused a significant disruption in the ability to properly hire and service students. The school's 2012-2013 student enrollment is about 2,550, which will allow for sustained growth and provide a strong financial base moving forward.

For year 2013-14: The governor, in releasing the 2013-14 budget, requested a 2.2% increase to provide for inflation and growth in the student base. The base per pupil funding would increase by \$128.55 to \$5971.81. This would represent a revenue increase to GOAL of over \$300,000, even if there were no increase in the student base for 2013-14.

Next Year's Budget and Fund Balance: GOAL's Fund Balance was \$1,044,154 at the beginning of fiscal year 2011-12. The change during the year was \$1,462,593. This brought the year-end total to \$2,506,747, the beginning Fund Balance for 2012-13.

Requested for information

This financial report is designed to provide a general overview of GOAL's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, GOAL Academy Administrative Offices, 3621 W. 73rd Ave. Suites C & D Westminster, CO 80030.

BASIC FINANCIAL STATEMENTS

GOAL ACADEMY CHARTER SCHOOL

STATEMENT OF NET ASSETS

As of June 30, 2012

	Governmental Activities	
	2012	2011
ASSETS		
Cash and Investments	\$ 2,697,665	\$ 1,158,507
Accounts Receivable	-	95,455
Prepaid Items	33,501	-
Deposits	2,000	1,300
Capital Assets, Depreciated, Net of Accumulated Depreciation	-	-
	<hr/>	<hr/>
TOTAL ASSETS	2,733,166	1,255,262
	<hr/>	<hr/>
LIABILITIES		
Accounts Payable	1,284	25,152
Accrued Expenses	15,625	-
Accrued Salaries and Benefits	208,520	185,956
Deferred Revenue	990	-
	<hr/>	<hr/>
TOTAL LIABILITIES	226,419	211,108
	<hr/>	<hr/>
NET ASSETS		
Restricted for Emergencies	408,000	251,000
Unrestricted	2,098,747	793,154
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 2,506,747	\$ 1,044,154
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The accompanying notes are an integral part of the financial statements.

GOAL ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changed in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2012	2011
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 5,889,325	\$ -	\$ 600,032	\$ -	\$ (5,289,293)	\$ (3,366,968)
Supporting Services	6,831,168	-	20,306	-	(6,810,862)	(4,904,509)
Total Governmental Activities	<u>\$ 12,720,493</u>	<u>\$ -</u>	<u>\$ 620,338</u>	<u>\$ -</u>	(12,100,155)	(8,271,477)
GENERAL REVENUES						
					12,804,808	8,352,342
					757,940	638
					<u>13,562,748</u>	<u>8,352,980</u>
					1,462,593	81,503
					1,044,154	666,684
					-	295,967
					<u>\$ 2,506,747</u>	<u>\$ 1,044,154</u>

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

GOAL ACADEMY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>GENERAL FUND</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Investments	\$ 2,697,665	\$ 1,158,507
Accounts Receivable	-	95,455
Prepaid Items	33,501	-
Deposit	<u>2,000</u>	<u>1,300</u>
TOTAL ASSETS	<u>\$ 2,733,166</u>	<u>\$ 1,255,262</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 1,284	\$ 25,152
Accrued Expenses	15,625	-
Accrued Salaries and Benefits	208,520	185,956
Deferred Revenue	<u>990</u>	<u>-</u>
TOTAL LIABILITIES	<u>226,419</u>	<u>211,108</u>
FUND BALANCES		
Nonspendable	33,501	-
Restricted for Emergencies	408,000	251,000
Unassigned	<u>2,065,246</u>	<u>793,154</u>
TOTAL FUND BALANCES	<u>2,506,747</u>	<u>1,044,154</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,733,166</u>	<u>\$ 1,255,262</u>

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

GOAL ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2012

	GENERAL FUND	
	2012	2011
REVENUES		
Local Sources	\$ 13,583,054	\$ 8,353,530
State and Federal Sources	600,032	927,432
TOTAL REVENUES	14,183,086	9,280,962
EXPENDITURES		
Current		
Instruction	5,889,325	4,294,400
Supporting Services	6,831,168	4,905,059
TOTAL EXPENDITURES	12,720,493	9,199,459
NET CHANGE IN FUND BALANCES	1,462,593	81,503
FUND BALANCES, Beginning	1,044,154	666,684
Prior Period Adjustment	-	295,967
FUND BALANCES, Ending	\$ 2,506,747	\$ 1,044,154

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

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The GOAL Academy Charter School (the “School”) was organized in 2009 pursuant to the Colorado Charter Schools Act to form and operate a charter school in the State of Colorado. The Academy was part of the Cesar Chavez School Network (“CCSN”) until September 2010. Beginning in October of 2010, the Academy split from CCSN and is now receiving its funding directly from the Colorado Charter School Institute (the “Institute”).

The accounting policies of the Academy conform to generally accepted accounting principles as 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 provides benefits to, or imposes financial burdens on the School.

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

Government-Wide and Fund Financial Statements

The School financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund 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 segment 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. Major individual governmental funds are reported in separate columns in the fund financial statements.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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. However, debt service expenditures are recorded only when payment is due.

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 revenue items 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.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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 funds:

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.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/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.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property 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 has been provided over the following estimated useful lives of the capital assets using the straight-line method: vehicles and equipment- 5 years.

Net Assets/Fund Equity – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed.

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 used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2012, by the School are nonspendable in form as Prepaid Expenses.
- 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. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed 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. The School did not have any committed resources as of June 30, 2012.
- 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.

Compensated Absences

The School's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

The employment contract for the School's Executive Directors stipulates that they will be compensated for their accrued leave. However, as of June 30, 2012, the liability for the Executive Directors compensated absences is not material, and no liability was recorded in the financial statements.

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 District carries commercial insurance for these risks of loss, and bills the School for its portion of coverage. Settled claims have not exceeded coverage in the last three years.

GOAL ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General on a basis consistent with generally accepted accounting principles.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	\$ 1,481
Deposits	<u>2,696,184</u>
Total Cash	<u>\$ 2,697,665</u>

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At June 30, 2012, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. 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.

Custodial Credit Risk – Deposits

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2012, the School had deposits with financial institutions with a carrying amount of \$2,696,184. The bank balances with the financial institutions were \$2,861,660. Of these balances, \$250,000 was covered by federal depository insurance and \$2,611,660 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

GOAL ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The School has no investments as of June 30, 2012.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the nine months ended June 30, 2012 is summarized below.

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities				
Capital Asset, depreciated Vehicles	\$ 49,878	\$ -	\$ -	\$ 49,878
Accumulated Depreciation Vehicles	<u>49,878</u>	<u>-</u>	<u>-</u>	<u>49,878</u>
Capital Assets, depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from July to June. The benefits earned, but unpaid, as of June 30, 2012, were \$208,520 in the General Fund.

GOAL ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description. The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the School it is 10.15 % of covered salary. A portion of the School's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 7). The School is also required to pay an amortization equalization disbursement equal to 5.5 % of the total payroll for the calendar year 2012, (4.6 % of total payroll for the calendar year 2011). For the year June 30, 2010, 2011, and 2012 the School's employer contribution for the SDTF were \$205,317, \$702,482, and \$1,048,398, respectively, equal to the required contributions for each year.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

GOAL ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy. The School is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ended June 30, 2010, 2011, and 2012 the School's employer contributions to the HCTF were \$15,325, \$49,821, and \$70,324, respectively, equal to the required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Operating Lease

The School has entered into operating leases for several facilities. The leases require monthly payments ranging from \$700 to \$3,250. The expiration dates of the leases range from January 2011 through April 2015. The future minimum lease payments are as follows:

Year Ended

June 30

2013	\$ 123,934
2014	83,643
2015	<u>3,876</u>
Total	<u>\$ 211,453</u>

Total rent expense for the year ended June 30, 2012 for the leases was \$251,812.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2012 significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

GOAL ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 8: **COMMITMENTS AND CONTINGENCIES** (Continued)

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. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2012, the reserve of \$408,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 9: **LINE OF CREDIT AGREEMENT**

In September of 2011, the School entered into an agreement with Wells Fargo bank for the purpose of a commercial credit card program that employees use for making purchases for supplies, travel, and other school expenses. The initial line of credit was established in the amount of \$200,000. The original commercial credit card agreement was amended in January of 2012 to increase the school's credit line to \$500,000. The balance on the line of credit is paid in full at the end of each month. Therefore there are no amounts outstanding at June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

GOAL ACADEMY CHARTER SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 For The Year Ended June 30, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 10,599,120	\$ 12,889,259	\$ 12,804,808	\$ (84,451)	\$ 8,352,342
Grants and Donations	25,000	51,500	20,306	(31,194)	550
Other	-	505,325	757,940	252,615	638
State and Federal Sources					
Grants and Donations	672,500	583,687	600,032	16,345	927,432
TOTAL REVENUES	11,296,620	14,029,771	14,183,086	153,315	9,280,962
EXPENDITURES					
Salaries	6,768,047	7,012,336	6,951,356	60,980	5,014,655
Employee Benefits	1,332,296	2,327,466	2,091,167	236,299	1,255,567
Purchased Services	2,282,043	2,699,711	2,668,846	30,865	1,797,843
Supplies and Materials	739,600	597,606	711,560	(113,954)	726,371
Property	240,000	250,433	266,064	(15,631)	367,605
Other	36,250	30,840	31,500	(660)	37,418
Contingency	25,000	-	-	-	-
TOTAL EXPENDITURES	11,423,236	12,918,392	12,720,493	197,899	9,199,459
CHANGE IN FUND BALANCES	(126,616)	1,111,379	1,462,593	351,214	81,503
FUND BALANCE, Beginning	471,573	-	1,044,154	1,044,154	666,684
Prior Period Adjustment	-	-	-	-	295,967
FUND BALANCE, Ending	\$ 344,957	\$ 1,111,379	\$ 2,506,747	\$ 1,395,368	\$ 1,044,154

See the accompanying independent auditors' report.