

GOAL ACADEMY CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2014

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
GOAL Academy Charter School
Pueblo, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of GOAL Academy Charter School, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page and 17 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 Luttler & Associates, LLC

January 28, 2015

Guided Online Academic Learning Academy (GOAL)

Roster of Board Officers

June 30, 2014

Melanie Bravo

Dr. Greg Cope

Dr. Annette Long

Tom Montano

Brad Rice

Debbie Rose

Cosmo Solano

Brandon Caruso (student board member)

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, 2014**

By this document, management of the Guided Online Academic Learning Academy charter school (GOAL), is providing a narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2014 and an attached independent, third-party audit (Audit).

Financial Highlights

- The assets of GOAL exceeded its liabilities as of June 30, 2014 by \$4,784,864 (net assets).
- A significant purchase was made this year that was not anticipated at the beginning of the fiscal year. This purchase was for a large campus in Southeastern Colorado which provides our students the opportunity to experience CTE and core curricular intensives, while supporting the students' social and emotional needs by offering direct service components in a residential type setting. The actual purchase price of the land and buildings was \$815,000. The fair market value of the campus was \$2,182,535 based on a certified appraisal that was conducted within one year of sale. This purchase option was presented and deliberated prior to authorization being made for the purchase. Board Resolution 11-26-2013-B authorized the negotiation and purchase. Board Resolution 1-28-2014-C authorized the corresponding budget adjustment.
- The financial year has seen another robust increase in the growth of the school. The 2013-2014 count was 3,149 total students, both new and returning, compared to that of the previous year with an official student count of 2,567.
- 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 is investigating long-term investment alternatives and has established investment accounts with Wells Fargo Bank . These accounts are designated as the general reserve accounts 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 Board treasurer 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) GOAL-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.

GOAL-wide Financial Statements: GOAL-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.

GOAL-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.

GOAL-wide financial statements can be found starting on page 4 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. The majority 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 GOAL-wide financial statements. However, unlike GOAL-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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. GOAL also reports the Capital Reserve Fund as a mixture of non-governmental and governmental fund.

Because the focus of governmental funds is narrower than that of GOAL-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in GOAL-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 10.

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 GOAL-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.

GOAL-wide Financial Analysis:

The following table presents a summary of activities and changes in net assets for the fiscal years ended June 30, 2013 and 2014:

STATEMENT OF NET POSITION

	Governmental Activities	
	2014	2013
ASSETS		
Cash and Investments	\$ 2,893,196	\$ 2,819,804
Accounts Receivable	-	220,690
Prepaid Items	250,000	-
Deposits	35,407	15,229
Capital Assets, Not Depreciated,	38,535	
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,144,000	-
	<u>5,361,138</u>	<u>3,055,723</u>
TOTAL ASSETS		
LIABILITIES		
Accounts Payable	9,039	16,768
Accrued Expenses	471,767	195,273
Accrued Claims Payable	95,468	108,226
	<u>576,274</u>	<u>320,267</u>
TOTAL LIABILITIES		
NET POSITION		
Investment in Capital Assets	2,182,535	-
Restricted for Emergencies	643,000	453,000
Unrestricted	1,959,329	2,282,456
	<u>4,784,864</u>	<u>2,735,456</u>
TOTAL NET POSITION		

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2014	2013
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 7,555,724	\$ -	\$ 556,218	\$ -	\$(6,999,506)	\$(6,293,310)
Supporting Services	12,397,879	-	-	2,984,697	(9,413,182)	(8,558,987)
Total Governmental Activities	<u>\$19,953,603</u>	<u>\$ -</u>	<u>\$ 556,218</u>	<u>\$2,984,697</u>	(16,412,688)	(14,852,297)
GENERAL REVENUES						
					19,719,214	15,044,603
					<u>(1,257,118)</u>	<u>36,403</u>
					<u>18,462,096</u>	<u>15,081,006</u>
TOTAL GENERAL REVENUES						
CHANGE IN NET POSITION					2,049,408	228,709
NET POSITION, Beginning					<u>2,735,456</u>	<u>2,506,747</u>
NET POSITION, Ending					<u>\$ 4,784,864</u>	<u>\$ 2,735,456</u>

Governmental Activities: Net assets from governmental activities (before transfers) increased \$2,049,408. This increase was a result of sedulous adherence to a well-designed budget and diligent asset management, despite GOAL not receiving over \$1M of anticipated/budgeted E-rate and GOAL's previous authorizer not releasing Special Education funding.

The majority of GOAL's operation 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 \$2,602,329.

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 17 of the Audit. The most significant budgeted fund is the General Fund.

Capital Assets: GOAL Academy significantly increased capital assets. The main item reflected in this change is the large campus purchased early in the year. See Note 4 for more information.

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

Leases: Goal Academy has a regional administrative offices in Pueblo, CO. 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 (three locations), Cortez, Craig, Denver, Fort Morgan, Fountain, Grand Junction, Greeley, La Junta, Lakewood, Longmont, Loveland, Pagosa Springs, Pueblo (three locations), Pueblo West, Trinidad, Westminster, Gunnison, and Lamar.

These mall and office locations are drop-in centers where students may receive ad-hoc instructional tutoring, participate in periodic and annual testing, as well as receive technical support for their laptops and internet connection equipment. These are sites not exclusively intended for student instruction. The bulk of what is provided virtually, online and face to face meetings is in public locations. Based on situational need and participative interaction in various onsite activities, students may meet in these locations with admissions and support counselors, teachers and life 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 2013-14: GOAL Academy has consistently increased its funded student count year after year. Funded enrollment at the end of June 30, 2014 stood at 2,567, a 17% increase from 2,187 for the prior school 2012-13 year. The 2013-14 October count was 3,149 which represents a 12% increase over the previous year. These increases continue to foster sustained growth; the hiring of key staff support positions, academic coaches and specialists; and provide a strong financial base moving forward.

Next Year's Budget and Fund Balance: GOAL's Fund Balance was \$2,735,456 at the beginning of fiscal year 2012-13. The change during the year was \$(537,720). This brought the year-end total to \$2,602,329, the beginning Fund Balance for 2014-15.

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, 107 W. 11th St., Pueblo, CO 81003.

BASIC FINANCIAL STATEMENTS

GOAL ACADEMY CHARTER SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2014

	Governmental Activities	
	2014	2013
ASSETS		
Cash and Investments	\$ 2,893,196	\$ 2,819,804
Accounts Receivable	-	220,690
Prepaid Items	250,000	-
Deposits	35,407	15,229
Capital Assets, Not Depreciated	38,535	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>2,144,000</u>	<u>-</u>
TOTAL ASSETS	<u>5,361,138</u>	<u>3,055,723</u>
LIABILITIES		
Accounts Payable	9,039	16,768
Accrued Expenses	471,767	195,273
Accrued Claims Payable	<u>95,468</u>	<u>108,226</u>
TOTAL LIABILITIES	<u>576,274</u>	<u>320,267</u>
NET POSITION		
Investment in Capital Assets	2,182,535	-
Restricted for Emergencies	643,000	453,000
Unrestricted	<u>1,959,329</u>	<u>2,282,456</u>
TOTAL NET POSITION	<u>\$ 4,784,864</u>	<u>\$ 2,735,456</u>

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

GOAL ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changed in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2014	2013
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 7,555,724	\$ -	\$ 556,218	\$ -	\$ (6,999,506)	\$ (6,293,310)
Supporting Services	12,397,879	-	-	2,984,697	(9,413,182)	(8,558,987)
Total Governmental Activities	<u>\$ 19,953,603</u>	<u>\$ -</u>	<u>\$ 556,218</u>	<u>\$ 2,984,697</u>	(16,412,688)	(14,852,297)
GENERAL REVENUES						
					19,719,214	15,044,603
					(1,257,118)	36,403
					<u>18,462,096</u>	<u>15,081,006</u>
					2,049,408	228,709
					<u>2,735,456</u>	<u>2,506,747</u>
					<u>\$ 4,784,864</u>	<u>\$ 2,735,456</u>

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

GOAL ACADEMY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>GENERAL FUND</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Investments	\$ 2,893,196	\$ 2,819,804
Accounts Receivable	-	220,690
Prepaid Items	250,000	-
Deposit	<u>35,407</u>	<u>15,229</u>
TOTAL ASSETS	<u>\$ 3,178,603</u>	<u>\$ 3,055,723</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 9,039	\$ 16,768
Accrued Expenses	471,767	195,273
Accrued Claims Payable	<u>95,468</u>	<u>108,226</u>
TOTAL LIABILITIES	<u>576,274</u>	<u>320,267</u>
FUND BALANCES		
Nonspendable	285,407	15,229
Restricted for Emergencies	643,000	453,000
Unassigned	<u>1,673,922</u>	<u>2,267,227</u>
TOTAL FUND BALANCES	<u>2,602,329</u>	<u>2,735,456</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,178,603</u>	<u>\$ 3,055,723</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Fund Balance	\$ 2,602,329	\$ 2,735,456
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>2,182,535</u>	<u>-</u>
Net position of governmental activities	<u>\$ 4,784,864</u>	<u>\$ 2,735,456</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, 2014

	GENERAL FUND	
	2014	2013
REVENUES		
Local Sources	\$ 21,446,793	\$ 15,086,006
State and Federal Sources	556,218	1,164,689
TOTAL REVENUES	22,003,011	16,250,695
EXPENDITURES		
Current		
Instruction	7,555,724	7,457,999
Supporting Services	14,580,414	8,563,987
TOTAL EXPENDITURES	22,136,138	16,021,986
NET CHANGE IN FUND BALANCES	(133,127)	228,709
FUND BALANCES, Beginning	2,735,456	2,506,747
FUND BALANCES, Ending	\$ 2,602,329	\$ 2,735,456

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

GOAL ACADEMY CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (133,127)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$2,239,700 exceeded depreciation expense of (\$57,165) for the current period.	<u>2,182,535</u>
Change in net assets of governmental activities	<u>\$ 2,049,408</u>

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

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 position 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, 2014

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.

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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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 position 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 Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (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 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, 2014, by the School are nonspendable in form.
- 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.
- 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, 2014.
- 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.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, 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.

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.

GOAL ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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	\$ -
Deposits	<u>2,893,196</u>
Total Cash	<u>\$ 2,893,196</u>

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, 2014, 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, 2014, the School had deposits with financial institutions with a carrying amount of \$2,893,196. The bank balances with the financial institutions were \$3,713,358. Of these balances, \$250,000 was covered by federal depository insurance and \$3,463,358 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 3: **CASH AND INVESTMENTS** (Continued)

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.

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, 2014.

GOAL ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the nine months ended June 30, 2014 is summarized below.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ -	\$ 38,535	\$ -	\$ 38,535
Capital Asset, depreciated				
Buildings	-	2,161,465	-	2,161,465
Vehicles	<u>49,878</u>	<u>39,700</u>	-	<u>89,578</u>
Total Capital Assets, depreciated	<u>49,878</u>	<u>2,201,165</u>	-	<u>2,251,043</u>
Accumulated Depreciation				
Buildings	-	54,090	-	54,090
Vehicles	<u>49,878</u>	<u>3,075</u>	-	<u>52,953</u>
Total Accumulated Depreciation	<u>49,878</u>	<u>57,165</u>	-	<u>107,043</u>
Total Capital Assets, depreciated, Net	<u>-</u>	<u>2,144,000</u>	-	<u>2,144,000</u>
Total Capital Assets	<u>\$ -</u>	<u>\$ 2,182,535</u>	<u>\$ -</u>	<u>\$ 2,182,535</u>

Depreciation expense is charged to the supporting services program of the School.

NOTE 5: 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).

GOAL ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 5: *DEFINED BENEFIT PENSION PLAN* (Continued)

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 6). The School is also required to pay an amortization equalization disbursement equal to 7.3 % of the total payroll for the calendar year 2014, (6.4 % of total payroll for the calendar year 2013). For the year June 30, 2012, 2013, and 2014 the School's employer contribution for the SDTF were \$1,048,398, \$1,301,919, and \$1,537,765, respectively, equal to the required contributions for each year.

NOTE 6: *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).

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, 2012, 2013, and 2014 the School's employer contributions to the HCTF were \$70,324, \$82,423, and \$92,325, respectively, equal to the required contributions for each year.

GOAL ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7: COMMITMENTS AND CONTINGENCIES

Operating Lease

The School has entered into operating leases for several facilities. The leases require monthly payments ranging from \$500 to \$3,250. The expiration dates of the leases range from July 2013 through February 2016. The future minimum lease payments are as follows:

Year Ended		
<u>June 30</u>		
2015	\$	70,058
2016		<u>14,492</u>
Total	\$	<u>84,550</u>

Total rent expense for the year ended June 30, 2014 for the leases was \$556,618.

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, 2014 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.

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, 2014, the reserve of \$643,000 was recorded as a reservation of fund balance in the General Fund.

GOAL ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Self Insurance

The School has established a self-insured health benefit plan. The plan is administered by Cypress Benefit Administrators and is funded through a combination of employee contributions and contributions made by the School. Claims are paid from funds accumulated through these contributions. Under the terms of contract with Cypress Benefit Administrators the plan has a stop-loss coverage for individual occurrences in excess of \$100,000 and becomes fully insured at any time claims exceed 110% of the retained premiums of the plan.

Changes in the claims liability amounts as of June 30, 2014:

Balance July 1, 2013	\$ 108,226
Claims and Changes in Estimates	799,402
Claims Paid	<u>812,160</u>
Balance June 30, 2014	<u>\$ 95,468</u>

In addition to the claims paid during fiscal year 2012-2013, there may also be additional claims that have been incurred but not reported at June 30, 2014. At the time of the audit, the additional liability could not be determined, therefore, no additional liability has been recorded on the School's financial statements.

NOTE 8: 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, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

GOAL ACADEMY CHARTER SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 For The Year Ended June 30, 2014

	2014			VARIANCE Positive (Negative)	2013 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 17,655,187	\$ 20,046,804	\$ 19,719,214	\$ (327,590)	\$ 15,044,603
Grants and Donations	-	-	-	-	5,000
Other	-	1,728,895	1,727,579	(1,316)	36,403
State and Federal Sources					
Grants and Donations	658,300	556,218	556,218	-	1,164,689
TOTAL REVENUES	<u>18,313,487</u>	<u>22,331,917</u>	<u>22,003,011</u>	<u>(328,906)</u>	<u>16,250,695</u>
EXPENDITURES					
Salaries	9,245,117	9,021,934	9,021,934	-	8,149,547
Employee Benefits	2,137,926	2,467,734	2,479,388	(11,654)	2,023,008
Purchased Services	5,295,944	7,192,116	6,888,630	303,486	4,716,345
Supplies and Materials	1,378,000	1,091,241	1,091,243	(2)	854,432
Property	214,000	2,405,055	2,405,056	(1)	246,179
Other	42,500	274,705	249,887	24,818	32,475
TOTAL EXPENDITURES	<u>18,313,487</u>	<u>22,452,785</u>	<u>22,136,138</u>	<u>316,647</u>	<u>16,021,986</u>
CHANGE IN FUND BALANCES	-	(120,868)	(133,127)	(12,259)	228,709
FUND BALANCE, Beginning	<u>2,735,456</u>	<u>2,735,456</u>	<u>2,735,456</u>	-	<u>2,506,747</u>
FUND BALANCE, Ending	<u>\$ 2,735,456</u>	<u>\$ 2,614,588</u>	<u>\$ 2,602,329</u>	<u>\$ (12,259)</u>	<u>\$ 2,735,456</u>

See the accompanying independent auditors' report.