

**GOAL ACADEMY**

**FINANCIAL STATEMENTS**

**October 31, 2009**

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Board of Directors  
GOAL Academy  
Pueblo, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of GOAL Academy as of October 31, 2009, and for the period July 1, 2009, to October 31, 2009, which collectively comprise the basic financial statements of GOAL Academy, as listed in the table of contents. These financial statements are the responsibility of GOAL Academy'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.

GOAL Academy has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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 as of October 31, 2009, and the respective changes in financial position for the period July 1, 2009, to October 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that GOAL Academy will continue as a going concern. As discussed in Note 8 to the financial statements, GOAL Academy assigned its rights and interest in, and its duties and obligations under, its charter school contract to a new entity, and GOAL Academy ceased to exist effective October 31, 2009. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

December 20, 2010

## **BASIC FINANCIAL STATEMENTS**

GOAL ACADEMY

STATEMENT OF NET ASSETS

For the Period July 1, 2009, to October 31, 2009

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 478,870
Accounts Receivable	4,397
Accounts Receivable - Related Parties	28,238
Grants Receivable	199,653
Lease Deposit	4,600
Capital Assets, Net of Accumulated Depreciation	<u>141,490</u>
<b>TOTAL ASSETS</b>	<u>857,248</u>
<b>LIABILITIES</b>	
Accounts Payable	1,085
Accounts Payable - Related Parties	10,874
Accrued Liabilities	1,203
Deferred Revenues	<u>257,096</u>
<b>TOTAL LIABILITIES</b>	<u>270,258</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	141,490
Restricted for Emergencies	46,000
Unrestricted	<u>399,500</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 586,990</u>

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

GOAL ACADEMY

STATEMENT OF ACTIVITIES

For the Period July 1, 2009, to October 31, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
			<u>GOVERNMENTAL ACTIVITIES</u>
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
Instruction	\$ 480,899	\$ 59,935	\$ (420,964)
Supporting Services	<u>690,824</u>	<u>34,342</u>	<u>(656,482)</u>
Total Governmental Activities	<u>\$ 1,171,723</u>	<u>\$ 94,277</u>	<u>(1,077,446)</u>
GENERAL REVENUES			
			1,017,589
			204,859
			<u>11,595</u>
		TOTAL GENERAL REVENUES	<u>1,234,043</u>
		CHANGE IN NET ASSETS	156,597
		NET ASSETS, Beginning	<u>430,393</u>
		NET ASSETS, Ending	<u>\$ 586,990</u>

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

GOAL ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUND  
 October 31, 2009

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash	\$ 478,870
Accounts Receivable	4,397
Accounts Receivable - Related Parties	28,238
Grants Receivable	199,653
Deposits	4,600
<b>TOTAL ASSETS</b>	<b>\$ 715,758</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,085
Accounts Payable - Related Parties	10,874
Accrued Liabilities	1,203
Deferred Revenues	257,096
<b>TOTAL LIABILITIES</b>	<b>270,258</b>
<b>FUND BALANCE</b>	
Reserved for Emergencies	46,000
Unreserved	399,500
<b>TOTAL FUND BALANCE</b>	<b>445,500</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 715,758</b>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 445,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	141,490
Total Net Assets of Governmental Activities	<b>\$ 586,990</b>

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

GOAL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND

For the Period July 1, 2009, to October 31, 2009

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 1,103,235
State Sources	34,342
Federal Sources	<u>190,743</u>
TOTAL REVENUES	<u>1,328,320</u>
EXPENDITURES	
Instruction	627,597
Supporting Services	<u>685,616</u>
TOTAL EXPENDITURES	<u>1,313,213</u>
NET CHANGE IN FUND BALANCE	15,107
FUND BALANCE, Beginning	<u>430,393</u>
FUND BALANCE, Ending	<u>\$ 445,500</u>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 15,107
Capital outlay to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$146,698 exceeded depreciation expense (\$5,208) in the current year.	<u>141,490</u>
Change in Net Assets of Governmental Activities	<u>\$ 156,597</u>

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

GOAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

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

The Guided Online Academic Learning Academy (“GOAL Academy”) (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On August 19, 2008, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) to charter the School for an initial term of five years, to June 30, 2013.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 GASB. 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 this criteria, the School does not include additional organizations within its reporting entity.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity is removed from these statements. *Governmental activities*, which normally are supported by taxes and 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 revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

**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 year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue is considered measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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 Net Assets/Fund Balance**

*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 are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or greater 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Vehicles and Equipment	3 - 10 years
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*Deferred Revenues* - Deferred revenues include grants which have been collected but corresponding expenditures have not been incurred.

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Assets, Liabilities and Net Assets/Fund Balance (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.

**NOTE 2: CASH AND INVESTMENTS****Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At October 31, 2009, the School had bank deposits of \$676,825 collateralized with securities held by the financial institution's agent but not in the School's name.

**Investments**

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

- Obligations 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
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At October 31, 2009, the School had no investments.

GOAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

**NOTE 3: RELATED PARTY TRANSACTIONS**

The Cesar Chavez School Network paid operating costs on behalf of the School. At October 31, 2009, the School's liability to the Cesar Chavez School Network was \$10,874. In addition, the Cesar Chavez School Network owed \$28,238 to the School related to routine operating transactions.

**NOTE 4: CAPITAL ASSETS**

Changes in capital assets for the period July 1, 2009, to October 31, 2009, are summarized below.

	<u>Balances</u> <u>6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>10/31/09</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated				
Vehicles and Equipment	\$ -	\$ 146,698	\$ -	\$ 146,698
Accumulated Depreciation	<u>-</u>	<u>(5,208)</u>	<u>-</u>	<u>(5,208)</u>
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 141,490</u>	<u>\$ -</u>	<u>\$ 141,490</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

**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, 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 by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*Funding Policy* - 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 was 8% of covered salaries and for the School was 12.05% and 12.95% for calendar years 2008 and 2009, respectively. A portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2009, and the period July 1, 2009, to October 31, 2009, were \$70,956 and \$59,778, respectively, equal to the required contributions.

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

**NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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 by contacting PERA as described above.

*Funding Policy* - The School was required to contribute at a rate of 1.02% of covered salaries 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 CRS, as amended. The School's apportionment to the HCTF for the year ended June 30, 2009, and the period July 1, 2009, to October 31, 2009, was \$5,711 and \$4,708, respectively, equal to the required contributions.

**NOTE 7: COMMITMENTS AND CONTINGENCIES****Management Agreement**

The School entered into a management agreement with the Cesar Chavez School Network to provide certain administrative and financial services through October 31, 2009. During the period July 1, 2009, to October 31, 2009, the School paid \$169,105 and accrued \$10,874 under this agreement.

**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 entities. 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. At October 31, 2009, 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**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the Amendment.

The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At October 31, 2009, the School's reserve, of \$46,000, was reported as a reservation of fund balance in the General Fund.

GOAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

October 31, 2009

**NOTE 7:**      **COMMITMENTS AND CONTINGENCIES** (Continued)

**Lease Commitments**

In May 2009, the School entered into a lease agreement for office and computer lab space in Westminster, Colorado, through July 31, 2010. Monthly payments of \$2,000 are required by the agreement. During the period July 1, 2009, to October 31, 2009, the School paid \$10,000 under the agreement.

In May 2009, the School entered into a lease agreement for office and computer lab space in Colorado Springs, Colorado, through June 30, 2010. Monthly payments of \$1,410 are required by the agreement. During the period July 1, 2009, to October 31, 2009, the School paid \$7,050 under the agreement.

In August, 2008, the School entered into a lease agreement for office and computer lab space in Pueblo, Colorado, through August 31, 2009, with an extension through October 31, 2009. Monthly payments of \$1,650 are required by the agreement. During the period July 1, 2009, to October 31, 2009, the School paid \$8,250 under the agreement.

In accordance with the School's assignment agreement, these lease agreements were assumed by the new entity (See Note 8).

**NOTE 8:**      **GOING CONCERN**

The Institute executed a charter school contract dated July 1, 2009, that assigned all of the School's rights and obligations under its existing charter school contract to a new entity, also named GOAL Academy, effective September 15, 2009. Subsequently, the School approved an assignment agreement that assigned its rights and interest in, and its duties and obligations under, its charter school contract to the new entity, and GOAL Academy ceased to exist effective October 31, 2009. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**REQUIRED SUPPLEMENTARY INFORMATION**

GOAL ACADEMY

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Period July 1, 2009, to October 31, 2009

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Local Sources			
Per Pupil Revenue	\$ 5,519,369	\$ 1,017,589	\$ (4,501,780)
Student Fees	12,750	-	(12,750)
Grants and Contributions	-	74,051	74,051
Other	4,274	11,595	7,321
Total Local Sources	<u>5,536,393</u>	<u>1,103,235</u>	<u>(4,433,158)</u>
State Sources			
Grants	<u>39,202</u>	<u>34,342</u>	<u>(4,860)</u>
Federal Sources			
Grants	<u>827,699</u>	<u>190,743</u>	<u>(636,956)</u>
TOTAL REVENUES	<u>6,403,294</u>	<u>1,328,320</u>	<u>(5,074,974)</u>
<b>EXPENDITURES</b>			
Salaries	2,647,300	439,058	2,208,242
Employee Benefits	635,973	110,610	525,363
Purchased Services	2,028,029	488,826	1,539,203
Supplies and Materials	519,447	113,807	405,640
Property	363,663	160,262	203,401
Other	208,882	650	208,232
TOTAL EXPENDITURES	<u>6,403,294</u>	<u>1,313,213</u>	<u>5,090,081</u>
NET CHANGE IN FUND BALANCE	-	15,107	15,107
FUND BALANCE, Beginning	<u>-</u>	<u>430,393</u>	<u>430,393</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 445,500</u>	<u>\$ 445,500</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

October 31, 2009

**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 statute for all funds and are adopted on a basis consistent with generally accepted accounting principles (GAAP). By June 1, 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.
- 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.
- All appropriations lapse at fiscal year end.

The Board of Directors adopted a budget for the year ended June 30, 2010. However, actual amounts presented are for the period July 1, 2009, through October 31, 2009.