

CESAR CHAVEZ ACADEMY

FINANCIAL STATEMENTS

June 30, 2010

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - vii
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Assets - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Notes to Financial Statements	8 - 17
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	18
Notes to Required Supplementary Information	19



Board of Directors
Cesar Chavez Academy
Pueblo, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cesar Chavez Academy, component unit of Pueblo School District No. 60, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of Cesar Chavez Academy, as listed in the table of contents. These financial statements are the responsibility of Cesar Chavez 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Cesar Chavez Academy as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Swanhorst & Company LLC

December 20, 2010

CESAR CHAVEZ ACADEMY

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Cesar Chavez Academy, we offer readers of the Cesar Chavez Academy financial statements this narrative overview and analysis of the financial activities of the Cesar Chavez Academy for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

The net assets from governmental activities of the Cesar Chavez Academy (also referred to as the “Academy”) exceeded its liabilities at the close of the most recent fiscal year by \$353,254 (net assets) compared to \$588,498 as restated for capital leases related to purchases of school buses, which were not identified at the time the 2008-09 statements were released. This is a decrease of \$235,244.

The Cesar Chavez Academy Building Corporation was formed for the specific purpose of building or acquiring school facilities including Dolores Huerta Preparatory High (DHPH), which began occupying the building during the 2007-08 school year. DHPH pays rent to Cesar Chavez Academy for use of the facility, which in turn is used to pay the related debt. The Corporation is blended into the Academy’s financial statements as an enterprise fund (proprietary fund type). The ending net assets increased by \$176,816 from \$(770,247) the prior year to \$(593,431) at June 30, 2010.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Cesar Chavez Academy’s basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the Academy’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Academy’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 Cesar Chavez Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy’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 (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Cesar Chavez Academy supported primarily by per pupil revenue (PPR) or property taxes and state equalization passed through from the District (Pueblo City Schools). The governmental activities of the Academy include instruction and supporting services expense. The government-wide financial statements can be found on pages 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. Cesar Chavez Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cesar Chavez Academy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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 the Academy's near-term financing requirements.

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

Cesar Chavez Academy maintains one governmental fund and adopts an annual appropriated budget. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

Proprietary Fund: The Cesar Chavez Academy Building Corporation, considered a component unit of the charter school, has one fund, the Building Enterprise Fund and is represented on the statements of net assets, changes in net assets and statement of cash flows.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 8 through 17.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Cesar Chavez Academy, liabilities exceeded assets by \$240,177 as of the close of the most recent fiscal year compared to \$181,749 the prior year, a decrease of \$58,428 of liabilities over assets.

Statement of Net Assets Governmental and Business Type Activities

	30-Jun-10	30-Jun-09 (Restated)	Net Change
Current and other assets	\$ 2,569,587	\$ 2,907,016	\$ (337,429)
Capital assets	<u>\$ 13,149,506</u>	<u>\$ 13,456,627</u>	<u>\$ (307,121)</u>
Total Assets	<u>\$ 15,719,093</u>	<u>\$ 16,363,643</u>	<u>\$ (644,550)</u>
Current liabilities	\$ 406,243	\$ 689,589	\$ (283,346)
Other liabilities	<u>\$ 15,553,027</u>	<u>\$ 15,855,803</u>	<u>\$ (302,776)</u>
Total Liabilities	<u>\$ 15,959,270</u>	<u>\$ 16,545,392</u>	<u>\$ (586,122)</u>
Net assets			
Invested in capital assets, (Net of related debt)	\$ (1,698,802)	\$ (1,774,869)	\$ 76,067
Restricted for Debt Repayment	\$ 1,280,832	\$ 1,244,605	\$ 36,227
Restricted for Repairs & Replacement	\$ 165,830	\$ 95,581	\$ 70,249
Unrestricted	<u>\$ 11,963</u>	<u>\$ 252,934</u>	<u>\$ (240,971)</u>
Total Net Assets	<u>\$ (240,177)</u>	<u>\$ (181,749)</u>	<u>\$ (58,428)</u>

Cash and investments make up 11% Cesar Chavez Academy's total assets of which 95% is restricted in the Building Corporation for acquisition of capital assets and reserved to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 84% of total assets compared to 82% the previous year. The remaining assets make up 5% of total assets. Liabilities decreased \$586,122 primarily due to principal payments to reduce debt associated with the school building and less in accrued salary & benefits as a result of consistently placing employees on July 1 through June 30 contracts.

Cesar Chavez Academy
Statement of Activities
For the Years Ended June 30, 2010 and June 30, 2009

	<u>30-Jun-10</u>	<u>30-Jun-09</u>	<u>Net Change</u>
		Restated	
Program Revenue:			
Charges for Services	\$ 1,316,032	\$ 1,448,788	\$ (132,756)
Operating Grants & Contributions	\$ 276,865	\$ 338,805	\$ (61,940)
Total Program Revenue	<u>\$ 1,592,897</u>	<u>\$ 1,787,593</u>	<u>\$ (194,696)</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 7,502,846	\$ 7,658,788	\$ (155,942)
Capital Construction Grant	\$ 105,763	\$ 121,481	\$ (15,718)
Investment Income	\$ 3,023	\$ 18,144	\$ (15,121)
Insurance Proceeds	\$ 171,422	\$ 0	\$ 171,422
Miscellaneous	\$ 92,526	\$ 9,314	\$ 83,212
Total General Revenue	<u>\$ 7,875,580</u>	<u>\$ 7,807,727</u>	<u>\$ 67,853</u>
Total Revenue	<u>\$ 9,468,477</u>	<u>\$ 9,595,320</u>	<u>\$ (126,843)</u>
Expenses:			
Current:			
Instruction	\$ 4,298,252	\$ 4,704,585	\$ (406,333)
Supporting Services	\$ 4,208,316	\$ 4,673,853	\$ (465,537)
Interest on Long-Term Debt	\$ 7,239	\$ 7,335	\$ (96)
Building Corporation	\$ 1,013,098	\$ 1,049,188	\$ (36,090)
Total Expenses	<u>\$ 9,526,905</u>	<u>\$ 10,434,961</u>	<u>\$ (908,056)</u>
Increase (Decrease) in Net Assets	\$ (58,428)	\$ (839,641)	\$ 781,213
Beginning Net Assets	<u>\$ (181,749)</u>	<u>\$ 657,892</u>	<u>\$ (839,641)</u>
Ending Net Assets	<u>\$ (240,177)</u>	<u>\$ (181,749)</u>	<u>\$ 58,428</u>

Per pupil operating revenue decreased \$155,942 due to decreased enrollment and the funding decrease from state rescissions. Capital Construction grant funds continue to decrease as limited funding is being allocated over an increasing number of students enrolled in charter schools. Overall expenditures decreased \$908,056. Support services decreased \$465,537 due to elimination of some positions and redirecting the savings to instruction. Instruction decreased, in part, due to the elimination of some instructional positions and reduction in the cost of instructional materials and supplies.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, Cesar Chavez Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the tenth full year of operations for Cesar Chavez Academy. Total revenue for FY 2009-10 was \$9,294,032 compared to \$9,577,176 the prior year. Per pupil revenue, makes up 81% of Governmental Funds revenue for FY 2009-10 compared to 80% the prior year. Funded pupil count decreased from 1,130.40 for 2008-09 to 1,079.70 for 2009-10.

As of the end of the current fiscal year, the Academy reported \$111,366 as the ending fund balance in its General Fund, a decrease of \$141,568 from the prior year balance of \$252,934. Reserves are not adequate to meet the operating reserve requirement under debt agreements. Under the charter contract with Pueblo City Schools, the District must set aside funds to meet the Academy's 3% emergency reserve required by TABOR.

Proprietary Fund: Net assets of the Building Corporation as of June 30, 2010 are \$(593,431) compared to \$(770,247) the prior year.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget is amended.

For fiscal year 2009-10, the state requirement for instructional supplies and materials spending in the general fund and the allocation of funds for insurance and/or capital reserve were eliminated; therefore, the Capital Reserve Fund has been eliminated and all expenditures for insurance and capital improvements are made from the General Fund.

The majority of Academy spending in the General Fund is for salaries and benefits (64.3%) while purchased services make up 27.5% of total expenditures. The primary sources of spending for purchased services are rental payments to the Building Corporation, general administration overhead costs charged by the District, copier costs, insurance, legal fees and technology support contracts.

Other Budgetary Highlights: Total expenditures in all funds were within the approved budgets for fiscal year 2009-10.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: Cesar Chavez Academy Building Corporation owns land with a carrying value of \$1,178,524 and building and improvements capitalized at \$11,841,872 at June 30, 2010. Capitalized equipment, including buses, totals \$563,099. The net carrying value of capital assets after subtracting accumulated depreciation is \$12,402,711.

Long-term debt: In April, 2007, the Building Corporation issued \$15,570,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at interest costs ranging from 4% to 4.5%. Interest payments are due semi-annually and principal payments are due annually on August 1 beginning in 2009, through 2037. These transactions will flow through the State intercept program where the State withholds a portion of the per pupil funding and transfers the funds to a designated trustee that in turn makes the principal and interest payments when due. In September 2005, the Academy entered into a loan agreement with the Charter Fund Inc., for \$225,000, which was originally to be paid back in September 2010. However, in September 2010, this debt was restructured to forgive \$115,000 and the remaining \$110,000 to be paid in four increments beginning in October 2010 and ending in September 2011. In January, 2008, the Academy entered into a capital lease agreement to purchase a school bus, which requires 60 monthly payments of \$1,952, including interest to be made through January, 2013. In July, 2008, the Academy entered into a capital lease agreement to purchase two school buses. Annual lease payments of \$47,927, which include interest, are due July 1, 2009 through 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The lease payments to the Corporation for principal and interest due on the 2007 bond issue have stabilized and will increase very little for 2010-11. Enrollment must be sustained at approximately 1000 students and rents from the high school must continue at the current level of \$500,000 annually to meet the commitments under this agreement. Enrollment as of October 1, 2010 has fallen to 872 presenting a challenge to CCA.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution that provides annual funding increases for K-12 education at a rate equal to growth in student enrollment plus inflation plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during the 2008-09 that continued through the 2009-10 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded 2.9% of the funding approved for public schools in 2009-10. Funding for 2010-11 was approved at the same level as 2009-10 after rescissions. Predictions indicate that additional rescission may occur in 2010-11.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cesar Chavez Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Henry Roman, Executive Director, Cesar Chavez Academy and Dolores Huerta Preparatory High, 2727 W. 18th St., Pueblo, CO 81003.

BASIC FINANCIAL STATEMENTS

CESAR CHAVEZ ACADEMY

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 81,703	\$ -	\$ 81,703
Restricted Cash and Investments	-	1,697,923	1,697,923
Accounts Receivable	61,830	-	61,830
Accounts Receivable - Related Parties	58,482	-	58,482
Grants Receivable	64,333	-	64,333
Escrow Deposit	-	92,560	92,560
Debt Issuance Costs, Net of Accumulated Amortization	-	512,756	512,756
Capital Assets, Not Being Depreciated	-	1,178,524	1,178,524
Capital Assets, Net of Accumulated Depreciation	<u>746,795</u>	<u>11,224,187</u>	<u>11,970,982</u>
TOTAL ASSETS	<u>1,013,143</u>	<u>14,705,950</u>	<u>15,719,093</u>
LIABILITIES			
Accounts Payable	118,388	-	118,388
Accrued Liabilities	2,046	-	2,046
Accrued Salaries and Benefits	25,621	-	25,621
Deferred Revenue	8,927	-	8,927
Accrued Interest Payable	-	251,261	251,261
Noncurrent Liabilities			
Due Within One Year	211,398	295,000	506,398
Due in More Than One Year	<u>293,509</u>	<u>14,753,120</u>	<u>15,046,629</u>
TOTAL LIABILITIES	<u>659,889</u>	<u>15,299,381</u>	<u>15,959,270</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	341,291	(2,040,093)	(1,698,802)
Restricted for Debt Service	-	1,280,832	1,280,832
Restricted for Repair and Replacements	-	165,830	165,830
Unrestricted	<u>11,963</u>	<u>-</u>	<u>11,963</u>
TOTAL NET ASSETS	<u>\$ 353,254</u>	<u>\$ (593,431)</u>	<u>\$ (240,177)</u>

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

CESAR CHAVEZ ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 4,298,252	\$ 170,242	\$ 204,959
Supporting Services	4,208,316	1,145,790	71,906
Interest on Long-Term Debt	7,239	-	-
Total Governmental Activities	<u>8,513,807</u>	<u>1,316,032</u>	<u>276,865</u>
Business-Type Activities			
Building Corporation	<u>1,013,098</u>	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,526,905</u>	<u>\$ 1,316,032</u>	<u>\$ 276,865</u>
GENERAL REVENUES			
Per Pupil Revenue			
Capital Construction			
Investment Income			
Insurance Proceeds			
Other			
TRANSFERS			
TOTAL GENERAL REVENUES			
CHANGE IN NET ASSETS			
NET ASSETS, Beginning, as Restated			
NET ASSETS, Ending			

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (3,923,051)	\$ -	\$ (3,923,051)
(2,990,620)	-	(2,990,620)
<u>(7,239)</u>	<u>-</u>	<u>(7,239)</u>
<u>(6,920,910)</u>	<u>-</u>	<u>(6,920,910)</u>
<u>-</u>	<u>(1,013,098)</u>	<u>(1,013,098)</u>
<u>(6,920,910)</u>	<u>(1,013,098)</u>	<u>(7,934,008)</u>
7,502,846	-	7,502,846
105,763	-	105,763
-	3,023	3,023
14,237	157,185	171,422
92,526	-	92,526
<u>(1,029,706)</u>	<u>1,029,706</u>	<u>-</u>
<u>6,685,666</u>	<u>1,189,914</u>	<u>7,875,580</u>
(235,244)	176,816	(58,428)
<u>588,498</u>	<u>(770,247)</u>	<u>(181,749)</u>
\$ <u><u>353,254</u></u>	\$ <u><u>(593,431)</u></u>	\$ <u><u>(240,177)</u></u>

CESAR CHAVEZ ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2010

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 81,703
Accounts Receivable	61,830
Accounts Receivable - Related Parties	58,482
Grants Receivable	<u>64,333</u>
 TOTAL ASSETS	 \$ <u>266,348</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 118,388
Accrued Liabilities	2,046
Accrued Salaries and Benefits	25,621
Deferred Revenue	<u>8,927</u>
 TOTAL LIABILITIES	 <u>154,982</u>
FUND BALANCE	
Unreserved	<u>111,366</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>266,348</u>
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 111,366
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	746,795
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(504,907)</u>
Total Net Assets of Governmental Activities	\$ <u>353,254</u>

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

CESAR CHAVEZ ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2010

	GENERAL
REVENUES	
Local Sources	\$ 8,918,977
State Sources	220,647
Federal Sources	154,408
 TOTAL REVENUES	 9,294,032
EXPENDITURES	
Instruction	4,250,534
Supporting Services	5,122,347
Debt Service	
Principal	69,717
Interest and Fees	7,239
 TOTAL EXPENDITURES	 9,449,837
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (155,805)
OTHER FINANCING SOURCES	
Insurance Proceeds	14,237
 NET CHANGE IN FUND BALANCE	 (141,568)
FUND BALANCE, Beginning	252,934
FUND BALANCE, Ending	\$ 111,366

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ (141,568)
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 depreciation expense (\$125,943) exceeded capital outlay \$5,717 in the current year.	(120,226)
Repayments of capital leases are expenditures in governmental funds, but reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	69,717
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences.	(43,167)
Change in Net Assets of Governmental Activities	\$ (235,244)

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

CESAR CHAVEZ ACADEMY

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2010

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ 1,697,923
Escrow Deposit	<u>92,560</u>
TOTAL CURRENT ASSETS	<u>1,790,483</u>
NONCURRENT ASSETS	
Debt Issuance Costs, Net of Accumulated Amortization	512,756
Capital Assets, Not Being Depreciated	1,178,524
Capital Assets, Net of Accumulated Depreciation	<u>11,224,187</u>
TOTAL NONCURRENT ASSETS	<u>12,915,467</u>
TOTAL ASSETS	<u>14,705,950</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	251,261
Loan Payable, Current Portion	<u>295,000</u>
TOTAL CURRENT LIABILITIES	546,261
NONCURRENT LIABILITIES	
Loan Payable	<u>14,753,120</u>
TOTAL LIABILITIES	<u>15,299,381</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(2,040,093)
Restricted for Debt Service	1,280,832
Restricted for Repair and Replacements	<u>165,830</u>
TOTAL NET ASSETS	<u>\$ (593,431)</u>

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

CESAR CHAVEZ ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
 Year Ended June 30, 2010

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Rental Income	\$ <u>1,029,706</u>
 TOTAL OPERATING REVENUES	 <u>1,029,706</u>
OPERATING EXPENSES	
Depreciation	344,080
Amortization	18,991
Debt Service	
Interest and Fiscal Charges	<u>650,027</u>
 TOTAL OPERATING EXPENSES	 <u>1,013,098</u>
 NET OPERATING INCOME	 <u>16,608</u>
NONOPERATING REVENUES	
Investment Income	3,023
Insurance Proceeds	<u>157,185</u>
 TOTAL NONOPERATING REVENUES	 <u>160,208</u>
 CHANGE IN NET ASSETS	 176,816
NET ASSETS, Beginning	<u>(770,247)</u>
NET ASSETS, Ending	\$ <u><u>(593,431)</u></u>

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

CESAR CHAVEZ ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2010

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 1,029,706
Loan Principal Paid	(285,000)
Loan Interest Paid	<u>(670,557)</u>
Net Cash Provided by Operating Activities	<u>74,149</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance Proceeds Received	157,185
Acquisition and Construction of Capital Assets	<u>(157,185)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>3,023</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,172
CASH AND CASH EQUIVALENTS, Beginning	<u>1,620,751</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,697,923</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ 16,608
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	344,080
Amortization of Issuance Costs	18,991
Amortization of Discount	8,774
Changes in Assets and Liabilities	
Accrued Interest Payable	(29,304)
Loan Payable	<u>(285,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 74,149</u>

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

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cesar Chavez Academy (the “Academy”) was organized in 2000 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Pueblo School District No. 60 (the “District”). The Academy is a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the Academy 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. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy 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 Academy.

The Academy includes the Cesar Chavez Academy Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was incorporated to acquire, exchange, lease, hold, use, operate or otherwise deal with property, borrow money and secure the repayment of moneys borrowed for the Building Corporation or the Academy. The Building Corporation is blended into the Academy’s financial statements as an enterprise fund. The Building Corporation does not issue separate financial statements.

The Academy is a component unit of the District. The Academy’s charter was granted by the District and the majority of the Academy’s funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

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*.

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

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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* as is the proprietary fund in the fund financial statements. 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Academy has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Academy reports the following major funds:

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

Building Corporation - This fund is used to account for the capital and debt service activities of the Building Corporation.

Assets, Liabilities and Fund Balance/Net Assets

Cash and Investments - Cash equivalents are defined as investments with an original maturity of 90 days or less. Investments are stated at fair value.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the Academy 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 in the statement of net assets in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation is calculated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	10 - 50 years
Equipment	3 - 5 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reflected as a liability of the General Fund in the accompanying financial statements.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt is reported as a liability. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Assets/Fund Balance - In the government-wide financial statements and the proprietary fund in the fund 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 Academy 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 Academy carries commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Accountability**

At June 30, 2010, the Building Corporation had negative net assets of \$593,431. Management expects this negative balance to be eliminated as the Building Corporation's debt is paid.

CESAR CHAVEZ ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Building Lease Compliance

At June 30, 2010, the Academy did not meet the unrestricted working capital requirement of its lease agreement, of 7.5% of operating expenses, which may constitute an event of default as defined in the lease agreement. However, the Academy has obtained a waiver of this requirement from the guarantor for the years ending June 30, 2010, through 2015. As a condition of the waiver, the Academy was required to maintain unrestricted working capital balances in its operating fund of \$75,000 at June 30, 2010, with increasing balances required in subsequent years.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2010, consisted of the following:

Deposits	\$ 81,703
Investments	<u>1,697,923</u>
Total	<u><u>\$ 1,779,626</u></u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 81,703
Restricted Cash and Investments	<u>1,697,923</u>
Total	<u><u>\$ 1,779,626</u></u>

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 June 30, 2010, the Academy had bank deposits of \$147,032 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment in excess of five years. State statutes do not address custodial risk.

- 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

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2010, the Building Corporation had \$1,697,923 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates similarly to a money market fund with each share equal in value to \$1.00. CSAFE is rated AAAM by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2010, the Building Corporation held cash and investments of \$1,697,923 restricted by its loan agreement for future debt service and building repairs.

NOTE 4: ACCOUNTS RECEIVABLE - RELATED PARTIES

The Academy routinely pays operating costs on behalf of other related charter schools. The schools reimburse the Academy for these costs. At June 30, 2010, the Academy was owed reimbursements from the schools of \$58,482. This amount is presented net of an allowance for doubtful accounts for the amounts management believes are not collectible.

NOTE 5: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2010, are summarized below.

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
Governmental Activities				
Capital Assets, Being Depreciated				
Buildings	\$ 558,896	\$ -	\$ -	\$ 558,896
Building Improvements	317,682	5,717	-	323,399
Equipment	<u>481,871</u>	<u>-</u>	<u>-</u>	<u>481,871</u>
Total Capital Assets, Being Depreciated	<u>1,358,449</u>	<u>5,717</u>	<u>-</u>	<u>1,364,166</u>
Less Accumulated Depreciation				
Buildings	299,824	55,890	-	355,714
Building Improvements	53,037	22,335	-	75,372
Equipment	<u>138,567</u>	<u>47,718</u>	<u>-</u>	<u>186,285</u>
Total Accumulated Depreciation	<u>491,428</u>	<u>125,943</u>	<u>-</u>	<u>617,371</u>
Governmental Activities Capital Assets, Net	<u>\$ 867,021</u>	<u>\$ (120,226)</u>	<u>\$ -</u>	<u>\$ 746,795</u>

Depreciation expense of the governmental activities was charged to programs of the Academy as follows:

Instruction	\$ 47,718
Supporting Services	<u>78,225</u>
Total	<u>\$ 125,943</u>

CESAR CHAVEZ ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: CAPITAL ASSETS (Continued)

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,178,524	\$ -	\$ -	\$ 1,178,524
Capital Assets, Being Depreciated				
Buildings	11,645,478	157,185	-	11,802,663
Building Improvements	39,209	-	-	39,209
Equipment	563,099	-	-	563,099
Total Capital Assets, Being Depreciated	<u>12,247,786</u>	<u>157,185</u>	<u>-</u>	<u>12,404,971</u>
Less Accumulated Depreciation				
Buildings	708,298	279,476	-	987,774
Building Improvements	800	800	-	1,600
Equipment	127,606	63,804	-	191,410
Total Accumulated Depreciation	<u>836,704</u>	<u>344,080</u>	<u>-</u>	<u>1,180,784</u>
Total Capital Assets, Being Depreciated, Net	<u>11,411,082</u>	<u>(186,895)</u>	<u>-</u>	<u>11,224,187</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,589,606</u>	<u>\$ (186,895)</u>	<u>\$ -</u>	<u>\$ 12,402,711</u>

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2010.

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/10	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Loan Payable	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 60,000
Capital Leases	275,221	-	69,717	205,504	51,995
Compensated Absences	56,236	43,167	-	99,403	99,403
Total	<u>\$ 531,457</u>	<u>\$ 43,167</u>	<u>\$ 69,717</u>	<u>\$ 504,907</u>	<u>\$ 211,398</u>
Business-Type Activities					
Building Loan	\$ 15,570,000	\$ -	\$ 285,000	\$ 15,285,000	\$ 295,000
Discount	(245,654)	-	(8,774)	(236,880)	-
Total	<u>\$ 15,324,346</u>	<u>\$ -</u>	<u>\$ 276,226</u>	<u>\$ 15,048,120</u>	<u>\$ 295,000</u>

Loan Payable

In September, 2005, the Academy entered into a loan agreement for \$200,000 with the Charter Fund, Inc., to purchase modular classroom facilities and other noncapital assets. The terms of the original agreement required a final payment of \$225,000 on or before September 26, 2010. In September, 2010, the Academy approved a loan modification agreement whereby \$115,000 of the outstanding loan balance will be forgiven in increments, if the following amounts are paid by the Academy.

October 15, 2010	\$ 20,000
January 15, 2011	20,000
May 15, 2011	20,000
September 15, 2011	<u>50,000</u>
Total	<u>\$ 110,000</u>

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 6: LONG-TERM DEBT (Continued)

Capital Leases

In January, 2008, the Academy entered into a capital lease agreement to purchase a school bus. Under the terms of the agreement, the Academy is required to make 60 monthly payments of \$1,952, including interest accruing at 9.3% per annum, through January, 2013. Assets of \$93,729 have been capitalized under this lease agreement.

In July, 2008, the Academy entered into a capital lease agreement to purchase two school buses. The Academy is required to make annual lease payments of \$47,927 on July 1, through 2013, including interest accruing at 6.4% per annum. Assets of \$199,709 have been capitalized under this lease agreement.

Minimum lease payments, to maturity, are as follows:

Year Ended June 30,

2011	\$ 71,356
2012	71,356
2013	61,186
2014	48,334
Total Minimum Lease Payments	252,232
Less: Interest Portion	(46,728)
Present Value of Future Minimum Lease Payments	\$ 205,504

Compensated Absences

Compensated absences are expected to be liquidated with revenues of the General Fund.

Building Loan

In April, 2007, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$15,570,000 Charter School Revenue Bonds, Series 2007. Bond proceeds were loaned to the Building Corporation under a mortgage and loan agreement to refinance various existing debt, purchase land, and construct a new high school. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the buildings and equipment. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 4% to 4.5%. Interest payments are due semi-annually on August 1 and February 1. Principal payments are due annually on August 1 beginning in 2009, through 2037.

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 6: LONG-TERM DEBT (Continued)

Building Loan (Continued)

Annual debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 295,000	\$ 655,656	\$ 950,656
2012	310,000	643,556	953,556
2013	320,000	630,956	950,956
2014	335,000	617,856	952,856
2015	345,000	604,256	949,256
2016 - 2020	1,955,000	2,796,697	4,751,697
2021 - 2025	2,400,000	2,353,762	4,753,762
2026 - 2030	2,965,000	1,772,794	4,737,794
2031 - 2035	3,705,000	1,029,488	4,734,488
2036 - 2038	2,655,000	182,814	2,837,814
Total	<u>\$ 15,285,000</u>	<u>\$ 11,287,835</u>	<u>\$ 26,572,835</u>

The Academy has entered into a sublease agreement with Dolores Huerta Preparatory High to use certain facilities constructed with loan proceeds, and to reimburse the Academy for a portion of the loan. For the year ended June 30, 2010, Dolores Huerta Preparatory High paid \$500,000 to the Academy under this sublease agreement.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description - The Academy 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 Academy 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 - Plan members and the Academy are required to contribute at a rate set by statute. The contribution requirements of Plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8%. The Academy's contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% of covered salaries, respectively. A portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The Academy's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$658,285, \$637,374 and \$548,573, respectively, equal to the required contributions.

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The Academy 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 Academy 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 Academy 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 Academy's apportionment to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$50,290, \$52,116 and \$47,650, respectively, equal to the required contributions.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Management Agreement

The Academy provides administrative and financial services to other related charter schools. During the year ended June 30, 2010, the Academy recorded the full amount of these costs, of \$1,242,414, and received or accrued reimbursements from other schools totaling \$645,790.

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. At June 30, 2010, significant amounts of grant expenditures have not been audited but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

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 Academy 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. In accordance with the charter agreement between the Academy and the District, the District has established and is maintaining the emergency reserve for the Academy.

Litigation

The Academy has pending and threatened litigation that could represent a liability to the Academy. The outcome of this litigation cannot currently be determined, but management does not believe it will have a significant effect on the financial condition of the Academy.

CESAR CHAVEZ ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Colorado Department of Education Audit

The Colorado Department of Education conducted an audit of the Academy's transportation costs. The audit could result in a reimbursement assessment to the Academy. However, the amount of the assessment, if any, is not currently known, and no liability has been reported in the financial statements for this contingency.

NOTE 10: RESTATEMENTS

During the year ended June 30, 2010, the Academy identified capital lease agreements approved in previous years that were not reported in the financial statements. Net assets, capital assets and long-term at June 30, 2009, were restated to properly report the capital leases and the related capital assets, as follows:

	<u>Capital Assets</u>	<u>Long-Term Debt</u>	<u>Net Assets</u>
Balances, June 30, 2009, as Originally Stated	\$ 667,312	\$ 256,236	\$ 664,010
Capital Assets	199,709	-	199,709
Capital Leases	-	275,221	(275,221)
	<u> </u>	<u> </u>	<u> </u>
Balances, June 30, 2009, as Restated	<u>\$ 867,021</u>	<u>\$ 531,457</u>	<u>\$ 588,498</u>

REQUIRED SUPPLEMENTARY INFORMATION

CESAR CHAVEZ ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 7,908,157	\$ 7,649,901	\$ 7,502,846	\$ (147,055)
Tuition and Fees	180,520	188,395	170,242	(18,153)
Grants	-	-	7,573	7,573
Reimbursed Costs	1,376,834	666,838	645,790	(21,048)
Building Lease	400,000	500,000	500,000	-
Other	10,575	5,884	92,526	86,642
State Sources				
Capital Construction	113,288	107,970	105,763	(2,207)
Grants	52,248	49,795	114,884	65,089
Federal Sources				
Grants	193,521	184,436	154,408	(30,028)
TOTAL REVENUES	10,235,143	9,353,219	9,294,032	(59,187)
EXPENDITURES				
Salaries	5,502,592	4,809,930	4,808,124	1,806
Employee Benefits	1,601,666	1,375,301	1,268,110	107,191
Purchased Services	1,263,498	1,476,476	2,606,244	(1,129,768)
Supplies and Materials	573,301	575,349	565,498	9,851
Property	128,000	258,000	123,599	134,401
Other	1,166,086	1,313,163	78,262	1,234,901
TOTAL EXPENDITURES	10,235,143	9,808,219	9,449,837	358,382
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(455,000)	(155,805)	299,195
OTHER FINANCING SOURCES				
Insurance Proceeds	-	205,000	14,237	(190,763)
NET CHANGE IN FUND BALANCE	-	(250,000)	(141,568)	108,432
FUND BALANCE, Beginning	-	250,000	252,934	2,934
FUND BALANCE, Ending	\$ -	\$ -	\$ 111,366	\$ 111,366

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Academy 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. All appropriations lapse at fiscal year end.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.