

**COLORADO CALVERT ACADEMY
STATE CHARTER SCHOOL**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2010

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Calvert Academy State Charter School
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colorado Calvert Academy State Charter School, as of and for the year ended June 30, 2010, which collectively comprise Colorado Calvert Academy State Charter School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Colorado Calvert Academy State Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colorado Calvert Academy State Charter School, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colorado Calvert Academy State Charter School financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Hoelting & Company, Inc.
Certified Public Accountants
Colorado Springs, Colorado

October 29, 2010

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2010

As management of Colorado Calvert Academy State Charter School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Liabilities of the school exceeded assets by \$338,962 during the fiscal year resulting in a negative net assets balance. This is almost exclusively due to a long term loan of \$337,104 from Calvert Educational Services.
- The School's total net assets decreased \$338,962. This was the first year of the entity's existence and school has not yet begun operations.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance deficit of \$1,858.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net assets* presents information on all of the School'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 the School is improving or deteriorating.

The *statement of activities* presents information reporting how the School'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 result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School 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). The governmental activities of the School include general government of running a K-10 charter school on

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole. The School has a general fund, which is a governmental fund.

Governmental Funds: The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities exceeded assets by \$338,962 as of June 30, 2010 resulting in a negative net asset balance.

The negative fund balance is almost entirely made up of a long term note with Calvert Educational Services that paid for startup expenses, including legal, technical, salaries, and consulting. The year ended June 30, 2010 was the start up period for the school. All debt is expected to be paid for from future state per pupil revenues.

Condensed Statement of Net Assets

	<u>2010</u>
Current and other assets	\$ 1,067
Grants receivable	6,300
Prepaid Expense	<u>149</u>
Total assets	<u>\$ 7,516</u>
Long-term liabilities	\$ 337,104
Other liabilities	<u>9,374</u>
Total liabilities	<u>346,478</u>
Net assets:	
Restricted	12
Unrestricted	<u>(338,974)</u>
Total net assets	<u>(338,962)</u>
Total liabilities and net assets	<u>\$ 7,516</u>

Condensed Statement of Changes in Net Assets

	<u>2010</u>
Revenues:	
General revenues:	
Other General Revenues	410
Program Revenue:	
Operating Grants and Contributions	6,300
Total revenues	<u>6,710</u>
Expenses:	
Student Support Services	2,700
Instructional Staff	548
General Administration	264,519
School Administration Services	9,165
Business Support Services	14,060
Central Support Services	47,969
Maintenance Services	<u>3,111</u>
Total expenses	<u>345,672</u>
Change in net assets	(338,962)
Net assets, beginning	<u>0</u>
Net assets, ending	<u>\$ (338,962)</u>

ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the School. The fund balance for the general fund was a deficit of \$1,858 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The school has no capital assets.

Debt Administration

At the end of current fiscal year, the School had \$337,104 in debt outstanding. This was primarily used to fund startup activities.

ECONOMIC FACTORS

- Colorado Calvert Academy State Charter School is an online school. It is not impacted by specific geographical issues.
- The state cut school funding in 2010-11 by 6% per pupil. The outlook is uncertain, but the government has suggested that more cuts are possible for the 2011-12 school year.

COMPARATIVE ANALYSIS

A comparative analysis will be provided in future years when prior year information is available.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's taxpayers and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Davis, Colorado Calvert Academy State Charter School, 5710 Lehman Drive, Colorado Springs, CO 80918.

BASIC FINANCIAL STATEMENTS

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Cash	\$	1,067
Grants receivable		6,300
Prepaid expense		149
		149

TOTAL ASSETS	\$	7,516
		7,516

LIABILITIES

Accounts payable	\$	5,774
Accrued salaries and benefits		3,600
Long-term liabilities		
Due in more than one year		337,104
		337,104

Total Liabilities		346,478
		346,478

NET ASSETS

Restricted for emergencies		12
Unrestricted		(338,974)
		(338,974)

Total Net Assets (Deficit)		(338,962)
		(338,962)

TOTAL LIABILITIES AND NET ASSETS	\$	7,516
		7,516

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

**COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
	Charges for	Operating	Capital	Revenue and
	Services	Grants and	Grants and	Change in
		Contributions	Contributions	Net Assets
Governmental Activities:				
Student support	\$ 2,700	\$ -	\$ 2,700	\$ -
Instructional staff	548	-	-	(548)
General administration	264,519	-	-	(264,519)
School administration	9,165	-	3,600	(5,565)
Business services	14,060	-	-	(14,060)
Maintenance and operations	3,111	-	-	(3,111)
Central services	47,969	-	-	(47,969)
Total Governmental Activities	\$ 345,672	\$ -	\$ 6,300	\$ (339,372)
General Revenues:				
Other				410
Total General Revenues				410
Change in Net Assets				(338,962)
Net Assets, Beginning				-
Net Assets (Deficit), Ending				<u>\$ (338,962)</u>

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

**COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Governmental Designated - Purpose Grants Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,067	\$ -	\$ 1,067
Grants receivable	-	6,300	6,300
Prepaid expenses	149	-	149
TOTAL ASSETS	<u>\$ 1,216</u>	<u>\$ 6,300</u>	<u>\$ 7,516</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 3,074	\$ 2,700	\$ 5,774
Accrued salaries and benefits	-	3,600	3,600
Total liabilities	<u>3,074</u>	<u>6,300</u>	<u>9,374</u>
Fund balances			
Reserved for emergencies	12	-	12
Unreserved Undesignated	<u>(1,870)</u>	<u>-</u>	<u>(1,870)</u>
Total fund balance (deficit)	<u>(1,858)</u>	<u>-</u>	<u>(1,858)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,216</u>	<u>\$ 6,300</u>	<u>\$ 7,516</u>

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

**COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balance of Governmental Funds	\$ (1,858)
Long-term liabilities are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	<u>(337,104)</u>
Total Net Assets of Governmental Activities	<u><u>\$ (338,962)</u></u>

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

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Governmental Designated- Purpose Grants Fund	Total Governmental Funds
REVENUES			
Local sources	\$ 410	\$ -	\$ 410
Federal sources	-	6,300	6,300
Total revenues	<u>410</u>	<u>6,300</u>	<u>6,710</u>
EXPENDITURES			
Student support	-	2,700	2,700
Instructional staff	548	-	548
General administration	264,519	-	264,519
School administration	9,165	-	9,165
Business services	14,060	-	14,060
Maintenance and operations	3,111	-	3,111
Central service	47,969	-	47,969
Total expenditures	<u>339,372</u>	<u>6,300</u>	<u>345,672</u>
Excess (deficiency) of revenues over expenditures	(338,962)	-	(338,962)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	<u>337,104</u>	-	<u>337,104</u>
NET CHANGE IN FUND BALANCE	(1,858)	-	(1,858)
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ (1,858)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,858)</u></u>

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

**COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balance of Governmental Funds	\$ (1,858)
The issuance of long-term debt provides current financial resources to governmental funds, but does not have any affect on net assets.	(337,104)
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ (338,962)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colorado Calvert Academy State Charter School (the School) was organized pursuant to the Colorado Charter Schools Act on December 16, 2008 to form and operate a charter school under the oversight of the Colorado Charter School Institute. The School will begin admitting students in August 2010.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant accounting policies of the School are described below.

A. 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 additional organizations within its reporting entity.

B. 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 has been eliminated 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 direct expenses of a 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) fees and 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.

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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 the related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which 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 collectible within the current year or soon enough thereafter to pay liabilities of the current fiscal 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 revenues are considered to be 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.

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School reports the following non-major governmental funds:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The School has elected to not follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated.

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all state equalization.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Long-term debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Debt issuance costs are deferred and amortized over the life of the debt using the straight-line method.

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

Fund Equity

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 a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. During April, management submits to the Board of Directors a proposed budget for all funds 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 formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

B. DEFICIT FUND EQUITY

The General Fund had a deficit fund balance of \$1,858 as of December 31, 2010. The fund incurred expenditures beyond current revenues and other sources. The excess expenditures will be paid with future revenue in the General Fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities 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.

All of the bank balances were covered by FDIC insurance.

**COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

The School is required to comply with State statutes that 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 investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

- ◆ Obligations of the United States and certain U.S. government agencies' securities;
- ◆ Certain international agencies' securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers' acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

The School had no investments as of June 30, 2010.

NOTE 4 – LONG-TERM DEBT

OPERATING LOAN

During the year Calvert Education Services advanced funds to the School for the start up costs of the School. The agreements to repay these advances were superseded by a loan agreement subsequent to the end of the 2010 fiscal year (See Note 9). The repayments of the loan are contingent upon future activities and therefore no portion of the loan has been classified as short-term, due within one year.

The changes in long-term debt for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Operating Loan	<u>\$ -</u>	<u>\$ 337,104</u>	<u>\$ -</u>	<u>\$ 337,104</u>	<u>\$ -</u>

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

GRANTS

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

NOTE 7 - AMENDMENT TO COLORADO CONSTITUTION

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 governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2010 there was a \$12 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 8 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2010 audit period as required by Colorado Statute CRS 22-44-204(3).

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – SUBSEQUENT EVENTS

OPERATING LEASE

The School entered into an operating lease on July 15, 2010 for office space. The lease is for 35 1/2 months with required monthly payments of \$2,000.

GRANT RECEIPTS

In July 2010 the School received grant funds in the amount of \$335,559. These funds will be used for startup expenditures of the School.

OPERATING LOAN

In July 2010 the School entered into a loan agreement which replaced the previous loan agreement with Calvert Education Services. The loan agreement stipulates that the School will repay the debt with the full amount of any grant received for the purpose of repaying the debt or 70% of the excess of revenues over operating expenses, determined at the end of each fiscal year using Generally Accepted Accounting Principles. The principal payments will be due within 60 days of the end of the fiscal year. The unpaid principal of the debt will bear interest at a rate of 6%, compounded annually. The School will make monthly interest payments on the first of each month.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Amounts	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Local sources	\$ -	\$ -	\$ 410	\$ 410
Total revenue	-	-	410	410
EXPENDITURES				
Instructional support	-	-	548	(548)
General administration	281,279	281,279	264,519	16,760
School administration	24,750	24,750	9,165	15,585
Business services	6,050	6,050	14,060	(8,010)
Maintenance and operations	8,700	8,700	3,111	5,589
Central services	66,721	66,721	47,969	18,752
Total expenditures	387,500	387,500	339,372	48,128
Excess (deficiency) of revenues over expenditures	(387,500)	(387,500)	(338,962)	48,538
OTHER FINANCING SOURCES				
Proceeds from long-term debt	387,500	387,500	337,104	(50,396)
NET CHANGE IN FUND BALANCE	-	-	(1,858)	(1,858)
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ (1,858)	\$ (1,858)

See the accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

COLORADO CALVERT ACADEMY STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Federal sources	\$ 375,000	\$ 375,000	\$ 6,300	\$ (368,700)
Total revenue	<u>375,000</u>	<u>375,000</u>	<u>6,300</u>	<u>(368,700)</u>
EXPENDITURES				
Instruction	315,860	315,860	3,600	312,260
Student support	-	-	2,700	(2,700)
Instructional support	15,240	15,240	-	15,240
General administration	6,000	6,000	-	6,000
School administration	15,300	15,300	-	15,300
Maintenance and operations	22,000	22,000	-	22,000
Central services	600	600	-	600
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>6,300</u>	<u>368,700</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.