

**ORTON ACADEMY LLC**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2022

**ORTON ACADEMY LLC**  
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**JUNE 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Orton Academy LLC

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orton Academy LLC, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Orton Academy LLC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Orton Academy LLC, as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orton Academy LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orton Academy LLC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Orton Academy LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orton Academy LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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 is the responsibility of management and, 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.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
December 6, 2022

**ORTON ACADEMY, LLC  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022**

As management of Orton Academy LLC (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, 2022. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- Assets and deferred outflows of the school exceeded the liabilities and deferred inflows of the school by \$263,624 during the fiscal year resulting in a positive net position balance.
- The School's total net position increased by \$207,381 for a total of \$263,624. This was the School's second year of operations.
- Long-term liabilities of consist of a \$38,000 loan outstanding
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$301,624.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serve 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 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 position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 per pupil revenues and district mill levy 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 the running of a K-8 contract school in Colorado Springs, Colorado.

## **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.

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**

***Net Position.*** As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total assets and deferred outflows exceeded liabilities and deferred inflows by \$207,381 as of June 30, 2022 resulting in a positive net position balance.

A portion of the School's net position represents resources that are subject to external restrictions on how they may be used \$34,000 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The remaining balance of \$267,624 is unrestricted.

## Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$369,631	\$146,702
Capital assets	<u>0</u>	<u>0</u>
Total assets	\$369,631	\$146,702
Deferred Outflows	<u>0</u>	<u>0</u>
Long-term liabilities	\$ 38,000	\$ 50,000
Other liabilities	<u>\$68,007</u>	<u>\$ 40,459</u>
Total liabilities	<u>\$106,007</u>	<u>\$ 90,459</u>
Deferred Inflows	<u>0</u>	<u>0</u>
Net position:		
Net investment in capital assets	0	0
Restricted, TABOR	\$ 34,000	\$20,000
Unrestricted	<u>\$229,624</u>	<u>\$36,246</u>
Total net position	<u>\$263,624</u>	<u>\$56,243</u>

## Condensed Statement of Activities

	<u>2022</u>	<u>2021</u>
Revenues:		
General revenues:		
Per pupil revenue	\$961,419	\$580,389
District mill levy	0	0
Other	7,068	\$20,006
Program Revenue:		
Charges for Services	0	0
Operating grants and contributions	\$399,858	\$113,462
Capital grants and contributions	<u>0</u>	<u>0</u>
Total revenues	<u>\$1,368,345</u>	<u>\$713,857</u>
Expenses:		
Instruction	\$411,939	\$253,642
Supporting services	<u>\$749,025</u>	<u>\$403,972</u>
Total expenses	<u>\$1,160,964</u>	<u>\$657,614</u>
Change in net position	207,381	\$56,243
Net position, beginning	<u>\$56,243</u>	<u>0</u>
Net position, ending	<u>\$263,624</u>	<u>\$56,243</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$207,381 from the prior fiscal year for an ending balance of \$263,624. As noted above, the increase in net position results primarily from this being the School's first year of operations.

## **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 principal operating fund of the School. As of June 30, 2022, the total general fund balance was \$301,624 an increase of \$195,381 in comparison with the prior year. \$34,000 of this total was restricted for TABOR emergency reserves, resulting in a \$267,624 unassigned fund balance.

The general fund balance increase of \$195,381 during the current year is primarily due to an increase of \$35,197 in IDEA funding provided by ER BOCES, with a 3.3% increase in revenues from budgeted compared to a 1.9% decrease in expenditures from what was budgeted.

Revenues for the General Fund totaled \$1,368,044 in fiscal year 2022 compared to \$713,857 in fiscal year 2021, an increase of \$654,187. The significant increase in revenue was due to an increase of 37 FTE in enrollment as well as an increase of \$181,448 in federal funding (IDEA and ESSER). Overall expenditures increased \$515,053. Instructional and supporting expenditures increased as a result of student enrollment and related staffing, as well as the direct expenses for serving those students.

## **BUDGETARY HIGHLIGHTS**

The School's budget is prepared in accordance with Colorado law. During the year, the School amended its budget primarily to reflect the following changes:

- The final (supplemental) budget decreased total revenues by \$45,061 from the preliminary budget to update per pupil, local source, state and federal revenue, instead of the anticipated decrease of \$181,534 of revenues in the revised budget.
- Benefits were decreased by \$61,723 to reflect staff elections and accurate 401k contributions.

Actual General Fund revenue and other financing sources in the 2022 fiscal year was \$1,368,044 and actual expenditures were \$1,172,963 which resulted in an increase in fund balance of \$195,381.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The School has no capital assets at June 30, 2022.

### **Debt Administration**

At the end of current fiscal year, the School had \$38,000 in debt outstanding. During the prior fiscal year, the School entered into a \$50,000 operating loan, interest free paid back at \$12,000 per year.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary factor driving the School's budget is student enrollment. Enrollment increased by 37 student full time equivalents (sFTE) in the School's second year of operations. The final sFTE for in 2021-2022 was 111; compared to 74 in 2020-2021. Enrollment for the 2022-2023 school year is estimated to decrease to 95 students. The School has been experiencing an increase in Per Pupil Revenue (PPR) due to the state budget's focus on education funding for the 2021-2022 school year was \$8,661.43 and estimated to be \$9,129.98 for the 2022-2023 school year. Federal revenue related to specific school teachings is available, IDEA, and was a large part of the increase in revenues for the year and is expected to continue.

The 2022-2023 School budget has been prepared with the School's strategic plan in mind and with the priority of providing financial resources for the quality education of Orton Academy's students.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the School's stakeholders 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 Ted Harvey at 3115 Larkspur Drive, Colorado Springs, CO 80907.

## **BASIC FINANCIAL STATEMENTS**

**ORTON ACADEMY LLC**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 243,819
Receivables	113,799
Prepays	<u>12,013</u>
Total Assets	<u>369,631</u>
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	9,235
Accrued salaries and benefits	58,772
Long-term liabilities:	
Due within one year	12,000
Due in more than one year	<u>26,000</u>
Total Liabilities	<u>106,007</u>
<b>NET POSITION</b>	
Restricted for emergencies	34,000
Unrestricted	<u>229,624</u>
Total Net Position	<u><u>\$ 263,624</u></u>

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

**ORTON ACADEMY LLC  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 411,939	\$ -	\$ 399,858	\$ -	\$ (12,081)
Supporting services	<u>749,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(749,025)</u>
Total governmental activities	<u>\$ 1,160,964</u>	<u>\$ -</u>	<u>\$ 399,858</u>	<u>\$ -</u>	<u>(761,106)</u>
General revenues:					
Per pupil revenue					961,419
Grants and contributions not restricted to specific programs					2,164
Miscellaneous					<u>4,904</u>
Total general revenues					<u>968,487</u>
Change in net position					207,381
Net position - beginning					<u>56,243</u>
Net position - ending					<u>\$ 263,624</u>

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

**ORTON ACADEMY LLC  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2022**

**ASSETS**

Cash and investments	\$ 243,819
Receivables	113,799
Prepays	<u>12,013</u>
Total Assets	<u><u>\$ 369,631</u></u>

**LIABILITIES**

Accounts payable and other accrued liabilities	\$ 9,235
Accrued salaries and benefits	<u>58,772</u>
Total Liabilities	<u>68,007</u>

**FUND BALANCE**

Restricted for:	
Emergencies	34,000
Unassigned	<u>267,624</u>
Total Fund Balance	<u>301,624</u>

Total Liabilities and Fund Balance	<u><u>\$ 369,631</u></u>
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The accompanying notes are an integral part of these financial statements.

**ORTON ACADEMY LLC  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ 301,624
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:	
Loan Payable	<u>(38,000)</u>
Total Net Position of Governmental Activities	<u><u>\$ 263,624</u></u>

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

**ORTON ACADEMY LLC**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**REVENUES**

Local sources	\$ 7,068
State sources	1,122,396
Federal sources	<u>238,880</u>
 Total revenues	 <u>1,368,344</u>

**EXPENDITURES**

Instruction	411,938
Supporting services	749,025
Debt service	
Principal	<u>12,000</u>
 Total expenditures	 <u>1,172,963</u>

Net change in fund balance	195,381
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Fund balance, beginning	<u>106,243</u>
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Fund balance, ending	<u><u>\$ 301,624</u></u>
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The accompanying notes are an integral part of these financial statements.

**ORTON ACADEMY LLC  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	195,381
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Principal payment		<u>12,000</u>
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Change in Net Position of Governmental Activities	\$	<u><u>207,381</u></u>
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The accompanying notes are an integral part of these financial statements.



## **NOTES TO FINANCIAL STATEMENTS**

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

The financial statements of Orton Academy LLC (the School) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

*A. REPORTING ENTITY*

Orton Academy LLC (the School) is a limited liability company whose sole member is Colorado Literacy and Learning Center (CLLC). CLLC established the School pursuant to Colorado School Law to form and operate a contract school within Colorado. The School contracts with Education reEnvisioned BOCES (the BOCES) for funding and administrative support based on the agreement between the BOCES and CLLC establishing the School.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units are, in substance, part of the School's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of 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 STATEMENT PRESENTATION*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by per pupil revenue and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments 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 other service users 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

The emphasis of fund financial statements is on major funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

The School reports the following major governmental funds:

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

*C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions, including entering into contracts giving the School the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Interest and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the School.

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE*

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE (CONTINUED)*

*Investments*

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are reported at net asset value.

*Receivables*

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

*Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital assets*

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

The school has no capital assets at June 30, 2022.

*Accrued Salaries and Benefits*

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE (CONTINUED)*

*Unearned Revenue*

Unearned revenue includes resources received by the School before the related revenue can be recognized because the earnings process is not complete.

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*Leases*

Lessee: The School is a lessee for noncancellable leases of equipment. The School recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE (CONTINUED)*

*Long-term liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the 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 debt service expenditures.

*Net position*

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

*Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE (CONTINUED)*

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*E. REVENUES AND EXPENDITURES/EXPENSES*

*Compensated Absences*

The School’s policy allows employees to accumulate paid time off (PTO). PTO is paid out upon termination of employment. No liability is reported in the financial statements for compensated absences due to insufficient balances.

*F. 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.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. UPCOMING ACCOUNTING AND REPORTING CHANGES*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based informational technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset and a corresponding liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Management has not yet determined the effect this statement will have on the School’s financial statements.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

Budgets are required by State law for all funds, except fiduciary funds. The Head of School submits a proposed budget to the Board of Directors for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the School and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Directors to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Head of School. Revisions that alter the total expenditures in 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 as established by the Board of Directors.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the School budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Head of School and/or Board of Directors throughout the year. All appropriations lapse at the end of each fiscal year.



**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2022 is as follows:

Deposits	<u>\$ 243,819</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	<u>\$ 243,819</u>
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*Cash deposits with financial institutions*

Custodial Credit Risk—deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2022 was \$243,819 and the bank balances were \$250,594. Of the bank balances, \$250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

*Investments*

The School is authorized by Colorado statutes to invest in the following:

- 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, 2022.

**NOTE 4 – LONG-TERM LIABILITIES**

*2020 Loan Agreement*

On July 6, 2020, the School obtained a loan from Education reEnvisioned BOCES in the amount of \$50,000. Principal is paid monthly beginning July 15, 2021. The note does not bear interest. Final maturity is August 15, 2025.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for loan payable is as follows:

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>  <u>Principal</u>
2023	\$ 12,000
2024	12,000
2025	12,000
2026	<u>2,000</u>
Total	<u>\$ 38,000</u>

Changes in the School’s long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<i>Governmental Activities</i>					
Loan	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ 38,000</u>	<u>\$ 12,000</u>

**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 last three fiscal years.

**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 effect on the financial position of the School.

**ORTON ACADEMY LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - TAX, SPENDING, AND DEBT LIMITATIONS**

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, 2022 there is a \$34,000 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ORTON ACADEMY LLC**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 6,000	\$ 6,899	\$ 7,068	\$ 169
State sources	1,361,510	1,122,660	1,122,396	(264)
Federal sources	1,863	194,753	238,880	44,127
Total revenues	<u>1,369,373</u>	<u>1,324,312</u>	<u>1,368,344</u>	<u>44,032</u>
<b>EXPENDITURES</b>				
Salaries	587,500	585,503	578,918	6,585
Benefits	153,663	91,940	92,796	(856)
Purchased services	463,039	438,050	422,982	15,068
Supplies	57,250	51,866	51,335	531
Property	35,000	14,856	14,117	739
Other	-	705	815	(110)
Debt service:				
Principal	12,000	12,000	12,000	-
Total expenditures	<u>1,308,452</u>	<u>1,194,920</u>	<u>1,172,963</u>	<u>21,957</u>
Net change in fund balances	60,921	129,392	195,381	65,989
Fund balances - beginning	<u>60,922</u>	<u>106,243</u>	<u>106,243</u>	<u>-</u>
Fund balance - ending	<u>\$ 121,843</u>	<u>\$ 235,635</u>	<u>\$ 301,624</u>	<u>\$ 65,989</u>

See the accompanying Independent Auditors' Report.