

**WYATT-EDISON CHARTER SCHOOL, INC.**  
*A Component Unit of Denver Public Schools*

***FINANCIAL STATEMENTS***

**June 30, 2011**

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**Board of Directors  
Wyatt-Edison Charter School, Inc.  
Denver, Colorado**

### **Independent Auditors' Report**

**We have audited the accompanying financial statements of the governmental activities and each major fund of Wyatt-Edison Charter School, Inc. (School), a component unit of Denver Public Schools, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2011, 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.**

**The Management's Discussion and Analysis and the budgetary comparison schedule, on pages i through v and 15, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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.**

**September 15, 2011**

  
**RubinBrown LLP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Wyatt-Edison Charter School, Inc., a Colorado nonprofit corporation (the "School"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2011.

### **FINANCIAL HIGHLIGHTS**

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,684,804 (net assets).

During the fiscal year the School's revenues decreased to \$5.66 million, or (17.6%), while expenses decreased to \$5.43 million, or (15.8%). Both decreases are primarily the result of the Early Excellence program no longer being under the governance of the School effective July 1, 2010. Therefore, the FY2010 figures include the operations of the Early Excellence program but the FY2011 figures do not.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements which have been prepared in accordance with GASB 34 and consist of (i) government-wide financial statements, (ii) fund financial statements, and (iii) notes 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, in a manner similar to a private sector business.

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 showing 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 (e.g. earned but unpaid salary and benefits).

The governmental activities of the School reflect its basic services, including instruction and support services. Per pupil operating revenue or other revenues passed through from Denver Public Schools finance the vast majority of these services.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**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 the balance available at the end of the fiscal year for spending. Such information may be useful in evaluating the School'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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in net assets provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

## **Notes to the Basic 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.

## **FINANCIAL ANALYSIS OF THE SCHOOL**

One of the most important questions asked about the School's finances is "Is the School as a whole better off or worse off as a result of the current years' activities?" The Statement of Financial Position and the Statement of Activities report information about the School's activities in a way that can help answer that question. These two statements report the net assets of the School and changes in them. The School's net assets (difference between asset and liabilities) are one way to measure financial health or financial position. Over time, increases in the School's net assets are one indicator that the School's financial health is improving. However, you will need to consider other non-financial factors such as changes in economic conditions, student population growth, or changed governmental legislation.

## Net Assets

As part of our analysis, we provide a summary of the School's Statement of Financial Position as presented below.

### Condensed Statement of Financial Position

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 1,126,262	\$ 2,005,198	\$ (878,936)	(43.8%)
Non-Current Assets	<u>1,750,961</u>	<u>2,047,484</u>	<u>(296,523)</u>	<u>(14.5%)</u>
<b>Total Assets</b>	<b>2,877,223</b>	<b>4,052,682</b>	<b>(1,175,459)</b>	<b>(29.0%)</b>
Current Liabilities	1,192,419	688,693	503,726	73.1%
L-T Liabilities	<u>1,192,419</u>	<u>1,100,509</u>	<u>(1,100,509)</u>	<u>(100.0%)</u>
<b>Total Liabilities</b>	<b>1,192,419</b>	<b>1,789,202</b>	<b>(596,783)</b>	<b>(33.4%)</b>
Net Assets				
Invested in Capital				
Asset, net of related				
Debt	507,701	768,474	(260,773)	(33.9%)
Restricted:Tabor				
Amendment	163,000	171,000	(8,000)	(4.7%)
Unrestricted	<u>1,014,103</u>	<u>1,324,006</u>	<u>(309,903)</u>	<u>(23.4%)</u>
<b>Total Net Assets</b>	<b>\$ 1,684,804</b>	<b>\$ 2,263,480</b>	<b>\$ (578,676)</b>	<b>(25.6%)</b>

As can be seen from the chart above, net assets decreased (\$578,676) to \$1,684,804 in FY 2011. The decrease is primarily the result of the Early Excellence program no longer being under the governance of the School effective July 1, 2010. Therefore, the FY2010 figures include the assets, liabilities and net assets of the Early Excellence program but the FY2011 figures do not. The FY2010 net assets balance attributable to Early Excellence is \$804,303.

### Statement of Activities

While the Statement of Financial Position shows the change in net assets, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in the table below, revenues increased and expenses decreased during the year. This resulted in an over increase in net assets. There were no extraordinary events to influence the management of the budget during the year.

### Condensed Statements of Activities and Changes in Net Assets

	2011	2010	\$ Change	% Change
Per Pupil Op Revenue	\$ 4,643,190	\$ 4,780,808	\$ (137,618)	(2.9%)
Charges for Services		30,883	(30,883)	(100.0%)
Grants/Other Revenue	1,015,283	2,054,744	(1,039,461)	(50.6%)
<b>Total Revenues</b>	5,658,473	6,866,435	(1,207,962)	(17.6%)
Expenses	5,432,846	6,453,913	(1,021,067)	(15.8%)
<b>Total Expenses</b>	5,432,846	6,453,913	(1,021,067)	(15.8%)
<b>Change in Net Assets</b>	225,627	412,522	(186,895)	(45.3%)
<b>Beginning Net Assets</b>	1,459,177	1,850,958	(391,781)	(21.2%)
<b>Ending Net Assets</b>	\$ 1,684,804	\$ 2,263,480	\$ (578,676)	(25.6%)

The FY2010 balances reported above include the revenue and expense activity for the Early Excellence program which is no longer under the governance of the School effective July 1, 2010.

### BUDGETARY HIGHLIGHTS

The School developed its budget for FY 2011 from April to June 2010. It was based on a projected enrollment of 646 full time equivalent (FTE) students (kindergartners were funded at 58%). Actual paid enrollment for the year increased from 640 in FY 2010 to 642 in FY 2011.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

Assets with a useful life of more than one year and a unit cost of greater than \$1,000 are capitalized. Assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to 40 years.

In July 2008, the School refinanced its notes payable with a promissory note to EdisonLearning. Under the promissory note the Board is obligated to make annual payments in July of each year with interest compounded annually at 9% and a balloon payment due in July 2011.

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

The primary factor driving the budget for the School is student enrollment. The enrollment projected for the 2011-2012 school year is 653 FTE students.

The School's board of directors and administration considered many factors when setting the FY 2012 budget. The board worked closely with EdisonLearning to arrive at a realistic enrollment goal for the year. The primary factor considered was the continuing decline in school aged children living throughout the northeast Denver area. Accordingly, the FY 2012 budget reflects what the board and Edison feels is a very conservative expectation of a constant enrollment. Due to the district's expected decline in state funding resulting from the current state and national economical climate, the school has budgeted a slight decline in revenue and no major changes in expenditures from FY 2011.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in them. Questions concerning any of the information provided in this report should be directed to the School principal at 3620 Franklin Street, Denver, CO 80205.



WYATT-EDISON CHARTER SCHOOL, INC.

GOVERNMENTAL FUNDS BALANCE SHEET/  
STATEMENT OF NET ASSETS

June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents (Note 2)	\$ 841,723	\$	\$ 841,723
Due from Other Governments	284,539		284,539
<b>Total Current Assets</b>	<u>1,126,262</u>		<u>1,126,262</u>
<b>Noncurrent Assets:</b>			
Deposit Held by District (Note 2)	133,444		133,444
Restricted Cash (Note 2)	9,307		9,307
Capital Assets, Net (Note 3)		1,608,210	1,608,210
<b>Total Noncurrent Assets</b>	<u>142,751</u>	<u>1,608,210</u>	<u>1,750,961</u>
<b>Total Assets</b>	<u>1,269,013</u>	<u>1,608,210</u>	<u>2,877,223</u>
<b>LIABILITIES</b>			
Accrued Expenses	91,910		91,910
Note Payable (Note 4):			
Due Within One Year		1,100,509	1,100,509
<b>Total Liabilities</b>	<u>91,910</u>	<u>1,100,509</u>	<u>1,192,419</u>
<b>FUND BALANCES</b>			
Restricted for Emergencies (Note 10)	163,000	(163,000)	
Unassigned	1,014,103	(1,014,103)	
<b>Total Fund Balances</b>	<u>1,177,103</u>	<u>(1,177,103)</u>	
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,269,013</u>		
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt		507,701	507,701
Restricted:			
Tabor Amendment (Note 10)		163,000	163,000
Unrestricted		1,014,103	1,014,103
<b>Total Net Assets</b>		<u>\$ 1,684,804</u>	<u>\$ 1,684,804</u>

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

WYATT-EDISON CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	General Fund	Adjustments	Statement of Activities
<b>EXPENSES</b>			
Instructional	\$ 3,064,282	\$	\$ 3,064,282
Facilities	404,743		404,743
Technology	247,864		247,864
Administrative	1,569,389		1,569,389
Capital Outlay	164	(164)	
Debt Service	67,126	(67,126)	
Depreciation (Note 3)		146,568	146,568
Total Expenses	<u>5,353,568</u>	<u>79,278</u>	<u>5,432,846</u>
<b>PROGRAM REVENUES</b>			
Capital Grants and Contributions	57,825	-	57,825
Operating Grants and Contributions	611,414		611,414
Total Program Revenues	<u>669,239</u>		<u>669,239</u>
Net Program Expense			<u>(4,763,607)</u>
<b>GENERAL REVENUES</b>			
Per Pupil Operating	4,643,190		4,643,190
Mill Levy Override	330,042		330,042
Other	16,002		16,002
Total General Revenues	<u>4,989,234</u>		<u>4,989,234</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	304,905	(304,905)	
<b>CHANGES IN NET ASSETS</b>		225,627	225,627
<b>FUND BALANCE/NET ASSETS</b>			
Beginning of Year, Restated (Note 11)	<u>872,198</u>	<u>586,979</u>	<u>1,459,177</u>
End of Year	<u>\$ 1,177,103</u>	<u>\$ 507,701</u>	<u>\$ 1,684,804</u>

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

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

Wyatt-Edison Charter School, Inc. (School) is a public school of choice operating in partnership with the Denver Public Schools (District) and EdisonLearning (Edison). The School offers strong academic programs, centered on a rich and challenging curriculum. A special emphasis is ensuring that all students master the fundamentals of reading and mathematics in the primary grades. The School offers a comprehensive education program designed to work for students of all ethnic, cultural and economic backgrounds. The School serves kindergarten through eighth grade.

The School has incorporated under the provisions of the Colorado Nonprofit Corporation Act and received its exempt status under Internal Revenue Code Section 501(c)(3). The School's Board of Directors is approved by the authorizing body and is authorized to manage the School, the property, and affairs of the School.

The School is considered a component unit of the District and is includable in the District's basic financial statements. The School is deemed to be fiscally dependent upon the District because the District provides the majority of support to the School in the form of per pupil operating revenue.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization, or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the School in that the School approves the budget, levies their taxes or issues their debt.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. statement of net assets and statement of activities) report information on all of the activities of the School. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include operating grants and contributions, charges for services, and capital contributions and grants that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program is reported separately as general revenues. The School does not allocate indirect expenses.

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

**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. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recognized at the time the liability is incurred.

The governmental fund financial statements are reported using the current financial resources measurement focus and accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The School presents the following major governmental fund:

General Fund is the primary operating fund. It accounts for all general operating financial resources of the School.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental Accounting Standards require the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- ◆ Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- ◆ Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- ◆ Unrestricted – The component of net assets that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first. The School has not adopted fund balance policies, therefore, the School will follow the guidance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and apply resources in the following order: committed, assigned and unassigned.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The adjustment column reconciles the governmental fund to the government-wide presentation. Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balance		\$ 1,177,103
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital Asset Cost	\$ 4,060,328	
Less Accumulated Depreciation	<u>(2,452,118)</u>	1,608,210
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds		<u>(1,100,509)</u>
Total Net Assets of Governmental Activities		<u>\$ 1,684,804</u>

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

Change in Fund Balance		\$ 304,905
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation Expense	\$ (146,568)	
Capital Outlay	<u>164</u>	(146,404)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		<u>67,126</u>
Change in Net Assets		<u>\$ 225,627</u>

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

For this purpose, the School considers revenues to be available if they are collectible within 60 days of the current fiscal year. Expenditures under the modified accrual basis of accounting are recorded the same as under the accrual basis, except for payment of principal and interest, which are recorded when due.

**Cash and Cash Equivalents**

The Board considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents.

The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Accounts Receivable**

Accounts receivable consists entirely of grant monies that were awarded to the School prior to year-end.

**Capital Assets**

Capital assets are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. All assets with a useful life of more than one year and a unit cost of greater than \$1,000 are capitalized.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits are classified by type of credit risks: insured or collateralized with securities held by the School or by its agent in the School's name; collateralized with securities held by the pledging bank's trust department in the School's name; uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the School's name.

At June 30, 2011, the School had the following balances:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured Deposit	\$ 259,307	\$ 261,524
Collateralized Deposit	725,167	591,723
Total	<u>\$ 984,474</u>	<u>\$ 853,247</u>

Following is a reconciliation of cash and cash equivalents recorded on the statement of net assets as of June 30, 2011:

Cash and Cash Equivalents	\$ 841,723
Restricted Cash	<u>142,751</u>
Total Cash and Cash Equivalents	<u>\$ 984,474</u>

At June 30, 2011, the School did not have any investments. In addition, the School does not have a formal deposit or investment policy. Cash held by the District in the amount of \$133,444 has been restricted for emergencies, and \$9,307 has been restricted for student activities.

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WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 3: CAPITAL ASSETS

Changes in the School's capital assets are as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Computer Equipment	\$ 472,120	\$	\$ (73,630)	\$ 398,490
Facilities Improvement	360,893			360,893
Curriculum, Books and Material	899,253	164		899,417
Furniture and Fixtures	264,110			264,110
Other Equipment	137,633		(215)	137,418
Leasehold Improvements	2,000,000			2,000,000
Total Depreciable	4,134,009	164	(73,845)	4,060,328
Capital Assets				
Accumulated Depreciation	(2,379,395)	(146,568)	73,845	(2,452,118)
Net Capital Assets	<u>\$ 1,754,614</u>	<u>\$ (146,404)</u>	<u>\$</u>	<u>\$ 1,608,210</u>

Depreciation expense for the year ended June 30, 2011 totaled \$146,568.

NOTE 4: NOTE PAYABLE

The School entered into a loan agreement with Edison in August 2008 for \$1,409,947 to re-finance prior debt. The note is secured by a perfected first lien leasehold deed of trust for the land and improvements located at 1620 East 36<sup>th</sup> Avenue, Denver, Colorado. The interest rate is 9%, with yearly payments of \$172,213 and a balloon payment due on July 31, 2011. Total interest expense in fiscal 2011 was \$100,668.

Changes in long-term debt are as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Current
Note Payable	\$ 1,167,635	\$	\$ 67,126	\$ 1,100,509	\$ 1,100,509
Total	<u>\$ 1,167,635</u>	<u>\$</u>	<u>\$ 67,126</u>	<u>\$ 1,100,509</u>	<u>\$ 1,100,509</u>

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 4: NOTE PAYABLE (Continued)

Future principal and interest payments are due as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,100,509	\$ 90,792	\$ 1,191,301
Total	<u>\$ 1,100,509</u>	<u>\$ 90,792</u>	<u>\$ 1,191,301</u>

NOTE 5: LEASED FACILITIES

The School's operations are housed in a renovated school facility owned by the Phillips Family Trust and leased to Edison under a sublease agreement. Edison has in turn subleased the facility to the School for a period of 30 years, coinciding with the sublease period held by Edison. This lease began in September 1998 and will continue through 2028, with the option of a 10-year extension. The School is required to make annual lease payments of \$1.

NOTE 6: CONCENTRATION OF RISK

The School receives 82% of its total revenues from the applicable Per Pupil Funding (PPF) for each full time equivalent pupil in kindergarten through grade eight who is enrolled in the School on the day of the official membership count, as well as a proportionate share of categorical program revenue from the District. The District provides certain administrative services on behalf of the School, for which it is allowed by law to withhold 5% of per pupil funding. The services include central administrative overhead costs, legal services, board of education, and the Superintendent's office.

NOTE 7: PENSION PLAN

**Defined Benefit Pension Plan**

*Plan Description.* The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 7: PENSION PLAN (Continued)

**Defined Benefit Pension Plan (Continued)**

All employees of the School are members of the SDTF. Title 24, Article 51, of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*Funding Policy.* The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4, of the CRS, as amended. The contribution rate for members is 8.0% of covered salary for the fiscal year and, for the School, is 13.85% of covered salary through December 31, 2010 and 14.75% through June 30, 2011.

For the years ending June 30, 2011, 2010, and 2009, the School's employer contributions to the SDTF were \$334,359, \$307,888, and \$434,402, respectively, equal to its required contribution for each year.

**Employee Retirement Plan - Post-employment Health Care Benefits**

*Plan Description.* The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit post-employment health care trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12, of the CRS, as amended, assigns the authority to establish the HCTF benefit provision to the State Legislature.

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or 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).

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 7: PENSION PLAN (Continued)

**Employee Retirement Plan - Post-employment Health Care Benefits (Continued)**

*Funding Policy.* The School is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by state statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4, of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208, of the state statutes, as amended. The amount paid to the HCTF is included in the employer pension contributions previously listed.

NOTE 8: RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters; or environmental liabilities due to the nature of its operations. The School maintains commercial insurance for these risks. Amounts settled did not exceed insurance coverage in the last three years.

NOTE 9: MANAGEMENT AGREEMENT - EDISON SCHOOLS

The School has entered into a management agreement with Edison for operations of the School. The term of the agreement is for the length of the Charter agreement with the School. Edison has provided financing to the School to support operations, including initial capital outlay. Edison is required to provide equipment necessary for operation of the School and purchases equipment for that purpose. Therefore, the School does not maintain title to the equipment. However, to reflect the true financial position of the School, these assets and related accumulated depreciation, are included in the financial statements for reporting purposes.

WYATT-EDISON CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE 10: TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

The School is a nonprofit entity that operates within the auspices of the District. The District calculates and withholds TABOR emergency reserve funds (as described below) from the School.

The emergency reserve of \$163,000 is reflected on the governmental funds balance sheet/statement of net assets.

TABOR requires local governments to establish emergency reserves. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. Spending and revenue limits are determined based on the prior year's fiscal year spending, adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

The School's management believes it is assisting the District in compliance with the provisions of TABOR, as the District is the governmental unit responsible for compliance. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE 11: CHANGE IN REPORTING ENTITY

As of July 1, 2011, Early Excellence of Denver Program, Inc., incorporated as a stand-alone nonprofit corporation and is no longer a component unit of the School. Beginning net assets have been decreased by \$804,303 to reflect this change in reporting entity.

NOTE 12: SUBSEQUENT EVENT

The School amended its promissory note to Edison to extend the maturity date to November 30, 2011, to allow governance additional time to refinance the note payable with a third party.

***REQUIRED SUPPLEMENTARY INFORMATION***

WYATT-EDISON CHARTER SCHOOL, INC.

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Per Pupil Operating	\$ 4,981,446	\$ 4,624,667	\$ 4,643,190	\$ 18,523
Mill Levy Override	311,092	330,042	330,042	
Capital Funding	51,967	57,825	57,825	
Grant Income	514,924	603,344	611,414	8,070
Miscellaneous	23,122	26,593	16,002	(10,591)
<b>Total Revenues</b>	<b>5,882,551</b>	<b>5,642,471</b>	<b>5,658,473</b>	<b>16,002</b>
<b>EXPENDITURES:</b>				
Instructional	3,033,101	2,979,394	3,064,282	(84,888)
Facilities	431,791	371,667	404,743	(33,076)
Technology	246,818	256,892	247,864	9,028
Administrative	2,004,166	1,862,305	1,569,389	292,916
Capital Outlay			164	(164)
Debt Service	166,675	172,213	67,126	105,087
<b>Total Expenditures</b>	<b>5,882,551</b>	<b>5,642,471</b>	<b>5,353,568</b>	<b>288,903</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$</b>	<b>\$</b>	<b>\$ 304,905</b>	<b>\$ 304,905</b>

*Notes: The basis of budgeting is the same as GAAP.  
 This schedule is presented on a GAAP basis.*

See the accompanying independent auditors' report.