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**WYATT-EDISON CHARTER SCHOOL, INC.**  
*A Component Unit of*  
**Denver Public Schools**  
**FINANCIAL STATEMENTS**  
*JUNE 30, 2012*

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Wyatt-Edison Charter School, Inc. (the School), a component unit of Denver Public Schools, as of and for the year ended June 30, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the major fund of the School as of June 30, 2012, and the respective changes in financial position thereof 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 budgetary comparison information on pages i through iv and 15, respectively, 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, which 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.

*RubinBrown LLP*

September 13, 2012

## **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, 2012.

### **FINANCIAL HIGHLIGHTS**

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,656,656 (net assets).

During the fiscal year the School’s revenues decreased to \$5.24 million, or (7.3%), while expenses decreased to \$5.27 million, or (3.0%).

### **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

	2012	2011	\$ Change	% Change
Current Assets	\$ 1,359,339	\$ 1,126,262	\$ 233,077	20.7%
Non-Current Assets	1,620,358	1,750,961	(130,603)	-7.5%
<b>Total Assets</b>	<b>2,979,697</b>	<b>2,877,223</b>	<b>102,474</b>	<b>3.6%</b>
Current Liabilities	310,477	1,192,419	(881,942)	-74.0%
Notes Payable-Non Current	1,012,564		1,012,564	
<b>Total Liabilities</b>	<b>1,323,041</b>	<b>1,192,419</b>	<b>130,622</b>	<b>11.0%</b>
<b>Net Assets</b>	<b>\$ 1,656,656</b>	<b>\$ 1,684,804</b>	<b>\$ (28,148)</b>	<b>-1.7%</b>

As can be seen from the chart above, net assets decreased (\$28,148) to \$1,656,656 in FY 2012.

## 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

	2012	2011	\$ Change	% Change
Per Pupil Op Revenue	\$ 4,233,469	\$ 4,643,190	\$ (409,721)	-8.8%
Grants/Other Revenue	1,010,892	1,015,283	(4,391)	-0.4%
<b>Total Revenues</b>	<b>5,244,361</b>	<b>5,658,473</b>	<b>(414,112)</b>	<b>-7.3%</b>
Expenses	5,272,509	5,432,846	(160,337)	-3.0%
<b>Total Expenses</b>	<b>5,272,509</b>	<b>5,432,846</b>	<b>(160,337)</b>	<b>-3.0%</b>
<b>Change in Net Assets</b>	<b>(28,148)</b>	<b>225,627</b>	<b>(253,775)</b>	<b>-112.5%</b>
<b>Beginning Net Assets</b>	<b>1,684,804</b>	<b>1,459,177</b>	<b>225,627</b>	<b>15.5%</b>
<b>Ending Net Assets</b>	<b>\$ 1,656,656</b>	<b>\$ 1,684,804</b>	<b>\$ (28,148)</b>	<b>-1.7%</b>

## **BUDGETARY HIGHLIGHTS**

The School developed its budget for FY 2012 from April to June 2011. It was based on a projected enrollment of 653 full time equivalent (FTE) students (kindergartners were funded at 58%). Actual paid enrollment for the year decreased from 642 in FY 2011 to 617 in FY 2012.

## **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 June 2012, the School refinanced its notes payable with a promissory note to the Piton Foundation. Under the promissory note the Board is obligated to make 3 periodic payments during FY13 with interest compounded annually at 4.5% and a balloon payment due on or before July 1, 2013.

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

The primary factor driving the budget for the School is student enrollment. The enrollment projected for the 2012-2013 school year is 605 FTE students.

The School's board of directors and administration considered many factors when setting the FY 2013 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 2013 budget reflects what the board and Edison feels is a very conservative expectation of a slight decrease in enrollment. Due to expected reduction in enrollment and flat per pupil funding, the school has budgeted a slight decline in both revenue and expenditures from FY 2012.

## **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, 2012

	Assets		Statement Of
	General Fund	Adjustments	Net Assets
<b>Current Assets</b>			
Cash and cash equivalents (Note 2)	\$ 1,354,374	\$ —	\$ 1,354,374
Due from other governments	4,965	—	4,965
<b>Total Current Assets</b>	1,359,339	—	1,359,339
<b>Non-Current Assets</b>			
Deposit held by District (Note 2)	122,911	—	122,911
Restricted cash (Note 2)	5,451	—	5,451
Capital assets, net (Note 3)	—	1,491,996	1,491,996
<b>Total Noncurrent Assets</b>	128,362	1,491,996	1,620,358
<b>Total Assets</b>	\$ 1,487,701	1,491,996	2,979,697
<b>Liabilities</b>			
Accrued expenses	\$ 5,451	—	5,451
Due to other governments	240,724	—	240,724
Note payable (Note 4):			
Due within one year	—	64,302	64,302
Due within more than one year	—	1,012,564	1,012,564
<b>Total Liabilities</b>	246,175	1,076,866	1,323,041
<b>Fund Balance</b>			
Restricted for emergencies (Note 10)	188,000	(188,000)	—
Unassigned	1,053,526	(1,053,526)	—
<b>Total Fund Balance</b>	1,241,526	(1,241,526)	—
<b>Total Liabilities And Fund Balance</b>	\$ 1,487,701		
<b>Net Assets</b>			
Invested in capital assets, net of related debt		415,130	415,130
Restricted:			
TABOR amendment (Note 10)		188,000	188,000
Unrestricted		1,053,526	1,053,526
<b>Total Net Assets</b>		\$ 1,656,656	\$ 1,656,656

# WYATT-EDISON CHARTER SCHOOL, INC.

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES For The Year Ended June 30, 2012

	General Fund	Adjustments	Statement of Activities
<b>Expenses</b>			
Instructional	\$ 2,919,524	\$ —	\$ 2,919,524
Facilities	377,057	—	377,057
Technology	300,560	—	300,560
Administrative	1,551,432	—	1,551,432
Capital outlay	7,722	(7,722)	—
Debt service	1,100,509	(1,100,509)	—
Depreciation (Note 3)	—	123,936	123,936
<b>Total Expenses</b>	<b>6,256,804</b>	<b>(984,295)</b>	<b>5,272,509</b>
<b>Program Revenues</b>			
Operating grants and contributions	496,785	—	496,785
Capital grants and contributions	104,249	—	104,249
<b>Total Program Revenues</b>	<b>601,034</b>	<b>—</b>	<b>601,034</b>
<b>Net Program Expense</b>			<b>(4,671,475)</b>
<b>General Revenues</b>			
Per pupil operating	4,233,469	—	4,233,469
Mill levy override	318,607	—	318,607
Other	91,251	—	91,251
<b>Total General Revenues</b>	<b>4,643,327</b>	<b>—</b>	<b>4,643,327</b>
<b>Other Financing Sources</b>			
Proceeds from issuance of debt	1,076,866	(1,076,866)	—
<b>Total Other Financing Sources</b>	<b>1,076,866</b>	<b>(1,076,866)</b>	<b>—</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>64,423</b>	<b>(64,423)</b>	<b>—</b>
<b>Changes In Net Assets</b>		<b>(28,148)</b>	<b>(28,148)</b>
<b>Fund Balance/Net Assets</b>			
<b>Beginning Of Year</b>	<b>1,177,103</b>	<b>507,701</b>	<b>1,684,804</b>
<b>End Of Year</b>	<b>\$ 1,241,526</b>	<b>\$ 415,130</b>	<b>\$ 1,656,656</b>

# WYATT-EDISON CHARTER SCHOOL, INC.

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 1. Summary Of Significant Accounting Policies

#### Reporting Entity

Wyatt-Edison Charter School, Inc. (the School) is a public school of choice operating in partnership with the Denver Public Schools (the District) and EdisonLearning, Inc. (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.

The School is not financially accountable for any other organization, and no other entities are included in the School's reporting entity.

**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 are 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 are 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.

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.

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.

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### Notes To Financial Statements (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 is not included in the calculation of invested in capital assets, net of related debt.
- Restricted - This component of net assets consists of limitations 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: restricted, committed, assigned and unassigned.

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:

<b>Total Governmental Fund Balance</b>		\$ 1,241,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital asset cost	\$ 4,068,050	
Less: Accumulated depreciation	<u>\$ (2,576,054)</u>	1,491,996
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,076,866)</u>
<b>Total Net Assets Of Governmental Activities</b>		<u><u>\$ 1,656,656</u></u>

## WYATT-EDISON CHARTER SCHOOL, INC.

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### Notes To Financial Statements (Continued)

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

<b>Change In Fund Balance</b>		\$	64,423
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	\$	(123,936)	
Capital outlay	\$	<u>7,722</u>	(116,214)
Proceeds from bond issuance are revenue in the governmental funds, but the income increases long-term liabilities in the statement of net assets.			(1,076,866)
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>1,100,509</u>
<b>Change In Net Assets</b>		\$	<u>(28,148)</u>

### 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.

## WYATT-EDISON CHARTER SCHOOL, INC.

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### Notes To Financial Statements (Continued)

#### 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.

## 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, 2012, the School had the following balances:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposit	\$ 255,451	\$ 255,451
Collateralized deposit	1,104,374	1,551,063
Held by trustee	122,911	—
<b>Total</b>	<u>\$ 1,482,736</u>	<u>\$ 1,806,514</u>

Following is a reconciliation of cash and cash equivalents recorded on the statement of net assets as of June 30, 2012:

Cash and cash equivalents	\$ 1,354,374
Restricted cash	5,451
Held by trustee	<u>122,911</u>
<b>Total Cash And Cash Equivalents</b>	<u>\$ 1,482,736</u>

At June 30, 2012, 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 \$122,911 has been restricted for emergencies, and \$5,451 has been restricted for student activities.

## WYATT-EDISON CHARTER SCHOOL, INC.

### Notes To Financial Statements (Continued)

#### 3. Capital Assets

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

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Computer equipment	\$ 398,490	\$ —	\$ —	\$ 398,490
Facilities improvement	360,893	—	—	360,893
Curriculum, books and material	899,417	4,083	—	903,500
Furniture and fixtures	264,110	3,639	—	267,749
Other equipment	137,418	—	—	137,418
Leasehold improvements	2,000,000	—	—	2,000,000
<b>Total Depreciable Capital Assets</b>	4,060,328	7,722	—	4,068,050
Accumulated depreciation	(2,452,118)	(123,936)	—	(2,576,054)
<b>Net Capital Assets</b>	\$ 1,608,210	\$ (116,214)	\$ —	\$ 1,491,996

Depreciation expense for the year ended June 30, 2012 totaled \$123,936.

#### 4. Long-Term Debt

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 36th Avenue, Denver, Colorado. The interest rate is 9%, with yearly payments of \$172,213 and a balloon payment due on July 31, 2012. This loan was paid off on June 26, 2012 and refinanced with a new loan agreement. The School entered into a loan agreement with Piton in June 2012 for \$1,076,866 to refinance prior debt. The note is unsecured and bears interest at a rate of 4.5%. Payments of principal and interest in the amount of \$33,508 are due on the first day of October 2012, January 2013 and April 2013, with a balloon payment of all unpaid principal and interest due on July 1, 2013. Total interest expense in fiscal 2012 was \$88,967.

Changes in long-term debt are as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	Current
Note payable	\$ 1,100,509	\$ 1,076,866	\$ (1,100,509)	\$ 1,076,866	\$ 64,302
<b>Total</b>	\$ 1,100,509	\$ 1,076,866	\$ (1,100,509)	\$ 1,076,866	\$ 64,302



## WYATT-EDISON CHARTER SCHOOL, INC.

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### Notes To Financial Statements (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>
2013	\$ 64,302	\$ 36,439	\$ 100,741
2014	1,012,564	11,434	1,023,998
<b>Total</b>	<b>\$ 1,076,866</b>	<b>\$ 47,873</b>	<b>\$ 1,124,739</b>

### 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.

### 6. Concentration Of Risk

The School receives 81% 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.

### 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 Employees' 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.**

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### Notes To Financial Statements (*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 14.75% of covered salary through December 31, 2011 and 15.65% through June 30, 2012.

For the years ending June 30, 2012, 2011 and 2010, the School's employer contributions to the SDTF were \$322,871, \$334,359 and \$307,888, 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).

**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.

**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.

**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.

**10. Tax, Spending and Debt Limitations**

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer 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 \$188,000 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.

**11. Environmental Remediation Loss Contingency**

The School contains asbestos in the building and is a potentially responsible party regarding environmental impacts. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the School's financial statements at June 30, 2012.

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**Required Supplementary Information**

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**WYATT-EDISON CHARTER SCHOOL, INC.**

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**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
For The Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Per pupil operating	\$ 4,463,771	\$ 4,231,408	\$ 4,233,469	\$ 2,061
Mill levy override	320,209	318,607	318,607	—
Capital funding	115,298	141,568	104,249	(37,319)
Grant income	296,899	487,649	496,785	9,136
Miscellaneous	59,610	65,703	91,251	25,548
Proceeds from issuance of debt	1,109,842	1,109,842	1,076,866	(32,976)
<b>Total Revenues</b>	<b>6,365,629</b>	<b>6,354,777</b>	<b>6,321,227</b>	<b>(33,550)</b>
<b>Expenditures:</b>				
Instructional	2,947,330	2,919,863	2,919,524	339
Facilities	365,057	384,604	377,057	7,547
Technology	251,985	304,920	300,560	4,360
Administrative	1,641,415	1,585,548	1,551,432	34,116
Capital outlay	50,000	50,000	7,722	42,278
Debt service	1,109,842	1,109,842	1,100,509	9,333
<b>Total Expenditures</b>	<b>6,365,629</b>	<b>6,354,777</b>	<b>6,256,804</b>	<b>97,973</b>
<b>Net Changes In Fund Balance</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 64,423</b>	<b>\$ 64,423</b>

Notes: The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.