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**WYATT-EDISON CHARTER  
SCHOOL, INC.**  
*A Component Unit of  
Denver Public Schools*  
**FINANCIAL STATEMENTS**  
*JUNE 30, 2013*

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## Independent Auditors' Report

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

### Report On The Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditors' Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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 v 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 18, 2013

## **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, 2013.

### **FINANCIAL HIGHLIGHTS**

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,621,825 (net position).

During the fiscal year the School's revenues increased to \$5.69 million, or 8.5%, while expenses increased to \$5.72 million, or 8.6%.

### **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 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 showing 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 (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 position 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 position of the School and changes in them. The School's net position (difference between asset and liabilities) are one way to measure financial health or financial position. Over time, increases in the School's net position 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 Position

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

	2013	2012	\$ Change	% Change
Current Assets	\$ 1,565,903	\$ 1,359,339	\$ 206,564	15.2%
Non-Current Assets	1,490,672	1,620,358	(129,686)	-8.0%
<b>Total Assets</b>	<b>3,056,575</b>	<b>2,979,697</b>	<b>76,878</b>	<b>2.6%</b>
Current Liabilities				
	1,434,750	1,323,041	111,709	8.4%
<b>Total Liabilities</b>	<b>1,434,750</b>	<b>1,323,041</b>	<b>111,709</b>	<b>0</b>
<b>Net Assets</b>	<b>\$ 1,621,825</b>	<b>\$ 1,656,656</b>	<b>\$ (34,831)</b>	<b>-2.1%</b>

As can be seen from the chart above, net position decreased \$34,831 to \$1,621,825 in FY 2013.

### Statement of Activities

While the Statement of Financial Position shows the change in net position, 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 position. There were no extraordinary events to influence the management of the budget during the year.

## Condensed Statements of Activities and Changes in Net Position

	2013	2012	\$ Change	% Change
Per Pupil Op Revenue	\$ 4,123,923	\$ 4,233,469	\$ (109,546)	-2.6%
Grants/Other Revenue	1,565,827	1,010,892	554,935	54.9%
<b>Total Revenues</b>	<b>5,689,750</b>	<b>5,244,361</b>	<b>445,389</b>	<b>8.5%</b>
Expenses	5,724,581	5,272,509	452,072	8.6%
<b>Total Expenses</b>				
<b>Change in Net Position</b>	(34,831)	(28,148)	(6,683)	23.7%
<b>Beginning Net Position</b>	1,656,656	1,684,804	(28,148)	-1.7%
<b>Ending Net Position</b>	<b>\$ 1,621,825</b>	<b>\$ 1,656,656</b>	<b>\$ (34,831)</b>	<b>-2.1%</b>

### BUDGETARY HIGHLIGHTS

The School developed its budget for FY 2013 from April to June 2012. It was based on a projected enrollment of 605 full time equivalent (FTE) students (kindergartners were funded at 58%). Actual paid enrollment for the year decreased from 617 in FY 2012 to 601 in FY 2013.

### 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 2014, 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 FY14 with interest compounded annually at 4.5% and a balloon payment due on or before July 1, 2014.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the budget for the School is student enrollment. The enrollment projected for the 2013-2014 school year is 589.5 FTE students.

The School's board of directors and administration considered many factors when setting the FY 2014 budget. The board worked closely with-the school leadership 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 2014 budget reflects what the board and the school leadership feels is a very conservative expectation of a slight decrease in enrollment.



The School's board of directors voted to discontinue all site management services provided by EdisonLearning effective June 30, 2013. Going forward, accounting/back office and business management services will be provided G & G Consulting Group, LLC. The school has also hired a chief academic officer, and will contract with a third party independent consultant for additional instructional support. This change was made in an effort to better serve the students and community for a variety reasons including a reduction in administrative overhead costs to increase direct spending on instruction to address the low achievement results in recent years. With the savings, the school has also created 7 new interventionist positions that will focus on instructional support in all areas, including English Language Acquisition.

### **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 POSITION June 30, 2013

	Assets			Statement Of Net Position
	General Fund	Adjustments		Net Position
<b>Current Assets</b>				
Cash and cash equivalents (Note 2)	\$ 1,358,871	\$ —		\$ 1,358,871
Due from other governments	207,032	—		207,032
<b>Total Current Assets</b>	<b>1,565,903</b>	<b>—</b>		<b>1,565,903</b>
<b>Noncurrent Assets</b>				
Deposit held by District (Note 2)	116,956	—		116,956
Restricted cash (Note 2)	2,462	—		2,462
Capital assets, net (Note 3)	—	1,371,254		1,371,254
<b>Total Noncurrent Assets</b>	<b>119,418</b>	<b>1,371,254</b>		<b>1,490,672</b>
<b>Total Assets</b>	<b>\$ 1,685,321</b>	<b>1,371,254</b>		<b>3,056,575</b>
<b>Liabilities And Fund Balance/Net Position</b>				
Accrued expenses	\$ 159,520	—		159,520
Accrued interest	—	11,382		11,382
Due to Edison (Note 9)	252,106	—		252,106
Note payable (Note 4)				
Due within one year	—	90,303		90,303
Due within more than one year	—	921,439		921,439
<b>Total Liabilities</b>	<b>411,626</b>	<b>1,023,124</b>		<b>1,434,750</b>
<b>Fund Balance</b>				
Restricted for emergencies (Note 10)	170,000	(170,000)		—
Unassigned	1,103,695	(1,103,695)		—
<b>Total Fund Balance</b>	<b>1,273,695</b>	<b>(1,273,695)</b>		<b>—</b>
<b>Total Liabilities And Fund Balance</b>	<b>\$ 1,685,321</b>			
<b>Net Position</b>				
Net investment in capital assets		1,371,254		1,371,254
Restricted				
TABOR amendment (Note 10)		170,000		170,000
Unrestricted		80,571		80,571
<b>Total Net Position</b>		<b>\$ 1,621,825</b>		<b>\$ 1,621,825</b>

# WYATT-EDISON CHARTER SCHOOL, INC.

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES For The Year Ended June 30, 2013

	General Fund	Adjustments	Statement Of Activities
<b>Expenses</b>			
Instructional	\$ 3,067,097	\$ —	\$ 3,067,097
Facilities	672,406	—	672,406
Technology	319,980	—	319,980
Administrative	1,497,357	—	1,497,357
Debt service	100,741	(53,742)	46,999
Loss on disposal of assets	—	3,221	3,221
Depreciation (Note 3)	—	117,521	117,521
<b>Total Expenses</b>	<b>5,657,581</b>	<b>67,000</b>	<b>5,724,581</b>
<b>Program Revenues</b>			
Operating grants and contributions	912,167	—	912,167
Capital grants and contributions	52,716	—	52,716
<b>Total Program Revenues</b>	<b>964,883</b>	<b>—</b>	<b>964,883</b>
<b>Net Program Expense</b>	<b>—</b>	<b>—</b>	<b>(4,759,698)</b>
<b>General Revenues</b>			
Per pupil operating	4,123,923	—	4,123,923
Mill levy override	594,556	—	594,556
Other	6,388	—	6,388
<b>Total General Revenues</b>	<b>4,724,867</b>	<b>—</b>	<b>4,724,867</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>32,169</b>	<b>(32,169)</b>	<b>—</b>
<b>Changes In Net Position</b>	<b>—</b>	<b>(34,831)</b>	<b>(34,831)</b>
<b>Fund Balance/Net Position</b>			
<b>Beginning Of Year</b>	<b>1,241,526</b>	<b>415,130</b>	<b>1,656,656</b>
<b>End Of Year</b>	<b>\$ 1,273,695</b>	<b>\$ 348,130</b>	<b>\$ 1,621,825</b>

# WYATT-EDISON CHARTER SCHOOL, INC.

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 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 may also 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.

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

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### Notes To Financial Statements (*Continued*)

#### **Government-Wide And Fund Financial Statements**

The government-wide financial statements (i.e., statement of net position 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.

#### **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 position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position 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 net investment in capital assets.
- Restricted - This component of net position 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 position are different because:

<b>Total Governmental Fund Balance</b>		\$ 1,273,695
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital asset cost	\$ 4,064,829	
Less: Accumulated depreciation	<u>\$ (2,693,575)</u>	1,371,254
Accrued interest		(11,382)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,011,742)</u>
<b>Total Net Position Of Governmental Activities</b>		<u><u>\$ 1,621,825</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>	\$ 32,169
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	(117,521)
Loss on disposal of capital assets	(3,221)
Accrued interest	(11,382)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	65,124
	<hr/>
<b>Change In Net Position</b>	<u><u>\$ (34,831)</u></u>

### Cash And Cash Equivalents

The School 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.

### 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 1 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.

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### Notes To Financial Statements (Continued)

#### 2. Cash And Cash Equivalents

Deposits are categorized by type of credit risks: 1) insured or collateralized with securities held by the School or by its agent in the School's name; 2) collateralized with securities held by the pledging bank's trust department in the School's name and 3) 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. All accounts established at financial institutions should, in the aggregate, total less than \$250,000 so as to provide maximum insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). 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 statutes. The state regulatory commissioners regulate the eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by 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 equal to at least 102% of the uninsured deposits.

Up to \$250,000 of daily deposit balances on hand at banking institutions are covered by FDIC. Under the provisions of GASB 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement 3*, deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions. Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. As of June 30, 2013, all the School's deposits were fully insured.

At June 30, 2013, the School had the following balances:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposit	\$ 250,000	\$ 250,000
Collateralized deposit	1,111,333	1,109,056
Held by trustee	116,956	—
<b>Total</b>	<u>\$ 1,478,289</u>	<u>\$ 1,359,056</u>



## WYATT-EDISON CHARTER SCHOOL, INC.

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### Notes To Financial Statements (Continued)

Following is a reconciliation of cash and cash equivalents recorded on the statement of net position as of June 30, 2013:

Cash and cash equivalents	\$ 1,358,871
Restricted cash	2,462
Held by trustee	<u>116,956</u>
<b>Total Cash And Cash Equivalents</b>	<b><u><u>\$ 1,478,289</u></u></b>

At June 30, 2013, the School did not have any investments. In addition, the School does not have a formal investment policy.

### 3. Capital Assets

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

	Balance		Balance	
	June 30, 2012	Additions	Deletions	June 30, 2013
Computer equipment	\$ 398,490	\$ —	\$ (528)	\$ 397,962
Facilities improvement	360,893	—	—	360,893
Curriculum, books and material	903,500	—	(2,302)	901,198
Furniture and fixtures	267,749	—	506	268,255
Other equipment	137,418	—	(897)	136,521
Leasehold improvements	2,000,000	—	—	2,000,000
<b>Total Depreciable Capital Assets</b>	<b>4,068,050</b>	<b>—</b>	<b>(3,221)</b>	<b>4,064,829</b>
Accumulated depreciation	(2,576,054)	(117,521)	—	(2,693,575)
<b>Net Capital Assets</b>	<b>\$ 1,491,996</b>	<b>\$ (117,521)</b>	<b>\$ (3,221)</b>	<b>\$ 1,371,254</b>

The depreciation of \$117,521 is related to the facility activity expense.

### 4. Long-Term Debt

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%. A balloon payment of all unpaid principal and interest is due on July 1, 2014. Total interest expense in fiscal 2013 was \$46,999.

Changes in long-term debt are as follows:

	Balance		Balance		Current
	June 30, 2012	Additions	Deletions	June 30, 2013	
Note payable	\$ 1,076,866	\$ —	\$ (65,124)	\$ 1,011,742	\$ 90,303

## 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>
2014	\$ 90,303	\$ 44,019	\$ 134,322
2015	921,439	10,366	931,805
<b>Total</b>	<b>\$ 1,011,742</b>	<b>\$ 54,385</b>	<b>\$ 1,066,127</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 73% of its total revenues from the applicable Per Pupil Funding (PPF) for each full time equivalent pupil in kindergarten through grade 8 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 PPF. 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). SDTF provides retirement and disability, post-retirement annual increases and death benefits for members or their beneficiaries. All employees of the School are members of SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish and amend benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for 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 CRS, as amended. The contribution rate for members is 8.0% of covered salary for the fiscal year and, for the School, is 16.55% through June 30, 2013. For the years ending June 30, 2013, 2012 and 2011, the School's employer contributions to SDTF were \$355,089, \$322,871 and \$334,359, 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. HCTF provides a health care premium subsidy to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of CRS, as amended, assigns the authority to establish and amend HCTF benefit provision to the state legislature.

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for 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 CRS, as amended. The apportionment of the contribution to HCTF is established under Title 24, Article 51, Section 208 of the state statutes, as amended. HCTF contribution amounts are included in SDTF amounts above.

## **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 operated under a management agreement with Edison for operations of the School during the year that ended June 30, 2013. Edison provided financing to the School to support operations, including initial capital outlay. This agreement terminated on June 30, 2013, at which time the School continued as a charter school independent from Edison. At June 30, 2013, the School owed Edison \$252,106, which was paid to Edison subsequent to June 30, 2013.

As of July 1, 2013, the management agreement with Edison has been terminated. Currently the School has not signed another management agreement with another company.

## **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 \$170,000 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, 2013.

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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, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Per pupil operating	\$ 4,151,706	\$ 4,123,923	\$ 4,123,923	\$ —
Mill levy override	307,064	563,781	594,556	30,775
Capital funding	98,818	102,716	52,716	(50,000)
Grant income	369,709	815,824	912,167	96,343
Miscellaneous	77,877	211,408	6,388	(205,020)
<b>Total Revenues</b>	<b>5,005,174</b>	<b>5,817,652</b>	<b>5,689,750</b>	<b>(127,902)</b>
<b>Expenditures</b>				
Instructional	2,850,691	3,050,742	3,067,097	(16,355)
Facilities	322,702	826,030	672,406	153,624
Technology	231,058	292,841	319,980	(27,139)
Administrative	1,428,723	1,484,733	1,497,357	(12,624)
Debt service	172,000	134,322	100,741	33,581
<b>Total Expenditures</b>	<b>5,005,174</b>	<b>5,788,668</b>	<b>5,657,581</b>	<b>131,087</b>
<b>Net Changes In Fund Balance</b>	<b>\$ —</b>	<b>\$ 28,984</b>	<b>\$ 32,169</b>	<b>\$ 3,185</b>

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

This schedule is presented on a GAAP basis.