

GLOBAL VILLAGE ACADEMY-COLORADO SPRINGS

BASIC FINANCIAL STATEMENTS

June 30, 2014

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JOHN CUTLER
& ASSOCIATES

Board of Directors
Global Village Academy – Colorado Springs
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Global Village Academy –Colorado Springs (the “Academy”) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy’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.

Auditor’s 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 auditor’s 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 each major fund of Global Village Academy –Colorado Springs as of and for the year ended June 30, 2014, 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 required supplementary information on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttler & Associates, LLC

September 24, 2014

Global Village Academy Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2014

Introduction

As management of Global Village Academy – Colorado Springs (the “Academy”), we offer readers of the Academy’s basic financial statements this narrative and analysis of the financial activities of the Academy as of and for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2014, is the first year of operating a school for the Academy. As of June 30, 2014, net position has increased to \$44,626. The operations of the Academy are funded primarily by tax revenue received under the State School Finance Act (the “Act”). State categorical revenue for the year was \$818,997.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy’s basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy’s finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Academy’s assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy’s net position changed during the 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 the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

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 Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Academy maintains one governmental fund, its General Fund.

The Academy adopts annual budget for its General fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Global Village Academy Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

Notes to Basic Financial Statements

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Academy's financial position. As of June 30, 2014, the Academy's net position exceeded liabilities by \$44,626. Of the net position, \$29,400 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the Academy.

Net position as of June 30, 2014:

	June 30, 2014
Assets	
Cash and Investments	\$ 38,479
Accounts Receivables & Due From	111,821
Prepaid Items	1,745
Capital Assets, Depreciated, Net of Accumulated Depreciation	11,062
Total Assets	163,107
Liabilities	
Accounts Payable	52,498
Accrued Expenses	3,668
Accrued Salaries and Benefits	17,544
Due To	44,771
Total Liabilities	118,481
Net Position	
Net Investment in Capital Assets	11,062
Restricted for TABOR	29,400
Unrestricted	4,164
Total Net Position	\$ 44,626

**Global Village Academy Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014**

Change in net position for the years ended June 30, 2014:

	<u>Year Ended June 30, 2014</u>
Revenues	
Program Revenues	
Operating Grants and Contributions	\$ 393,571
Capital Grants and Contributions	11,939
Charges for Services	82,596
General Revenues	
State Per Pupil Revenue	818,997
Other	<u>10,206</u>
Total revenues	<u>1,317,309</u>
Expenditures/expenses	
Current	
Instruction	714,820
Support Services	<u>542,846</u>
Total Expenses	<u>1,257,666</u>
Increase in Net Position	59,643
Net Position, Beginning of Year	<u>(15,017)</u>
Net Position, End of Year	<u>\$ 44,626</u>

Financial Analysis of the Academy's Funds

The Academy has one governmental fund, the General Fund. The General Fund is considered a major fund and is used to account for the Academy's general operations. Even though the Academy continues to experience funding pressure from the State, they were able to increase Fund Balance to \$44,626 at year-end. Of the General Fund balance, a Tabor balance in the amount of \$29,400 has been reserved which is supported by the current assets at June 30.

General Fund Budgetary Highlights

The Academy budgeted General Fund expenditures of \$1,297,898, for the year ended June 30, 2014. Actual expenditures were \$1,268,728, with no transfers out.

Global Village Academy Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

Capital Assets and Debt Administration

The Academy is party to a facilities operating lease. The lease is with GVA CS Project Development, LLC. Monthly payments on the lease range from \$60,715 to \$97,063. The final payment is due June 30, 2034. Additional information regarding the lease can be found in Note 8.

The asset capitalization threshold is \$5,000. During FY 2013-14, the School had \$12,291 in capital asset additions and total depreciation expense of \$1,229 was recognized on all assets.

Additional information regarding capital assets can be found in Note 4. It should be noted that 100% of total Capital Assets were created by the Academy or \$12,291.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the Academy is student enrollment. Historical Funded Pupil Count (FPC) for the School is as follows:

Fiscal Year	FPC
2013 / 2014	125.80

The FPC projected for the 2014-15 school year is expected to be 300. This factor was considered in preparing the Academy's budget for fiscal year 2014-15. Enrollment will continue to grow as the growth plan is executed. As the State's economic environment improves, the Academy is optimistic K-12 funding will improve in the near term. The adopted budget FY 14/15 reflects a 5.5% increase in per pupil revenue from state funding. This percentage increase is significantly higher than the 2% increase received in FY 2014. The Capital Construction funding per pupil allocation increased for FY 2015 to \$167.36 per funded FTE compared to \$94.90 per funded FTE in FY 2014.

Requests for Information

The financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Global Village Academy Colorado Springs, 555 W. 112th Ave., Northglenn, Colorado 80246.

BASIC FINANCIAL STATEMENTS

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

STATEMENT OF NET POSITION

June 30, 2014

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 38,479
Grants Receivable	99,378
Due from CSI	12,443
Prepaid Items	1,745
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>11,062</u>
TOTAL ASSETS	<u>163,107</u>
LIABILITIES	
Accounts Payable	52,498
Accrued Expenses	3,668
Accrued Salaries and Benefits	17,544
Due to GVCC	41,279
Due to GVA - Fort Collins	213
Due to GVA - Northglenn	<u>3,279</u>
TOTAL LIABILITIES	<u>118,481</u>
NET POSITION	
Net Investment in Capital Assets	11,062
Restricted for Emergencies	29,400
Unrestricted	<u>4,164</u>
TOTAL NET POSITION	<u>\$ 44,626</u>

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

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net Expense (Revenue) and Change in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 714,820	\$ 4,641	\$ -	\$ -	\$ (710,179)
Supporting Services	542,846	77,955	393,571	11,939	(59,381)
Total Governmental Activities	<u>\$ 1,257,666</u>	<u>\$ 82,596</u>	<u>\$ 393,571</u>	<u>\$ 11,939</u>	<u>(769,560)</u>
GENERAL REVENUES					
					818,997
					10,206
					<u>829,203</u>
					59,643
					<u>(15,017)</u>
					<u>\$ 44,626</u>

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

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

BALANCE SHEET
GENERAL FUND
June 30, 2014

ASSETS	
Cash and Investments	\$ 38,479
Grants Receivable	99,378
Due from CSI	12,443
Prepaid Expenses	<u>1,745</u>
TOTAL ASSETS	<u>\$ 152,045</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 52,498
Accrued Expenses	3,668
Accrued Salaries and Benefits	17,544
Due to GVCC	41,279
Due to GVA - Fort Collins	213
Due to GVA - Northglenn	<u>3,279</u>
TOTAL LIABILITIES	<u>118,481</u>
FUND BALANCES	
Nonspendable	1,745
Restricted for Emergencies	29,400
Unassigned	<u>2,419</u>
TOTAL FUND BALANCES	33,564
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>11,062</u>
Net position of governmental activities	<u>\$ 44,626</u>

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

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2014

REVENUES	
Local Sources	\$ 912,227
Federal Sources	<u>405,082</u>
TOTAL REVENUES	<u>1,317,309</u>
EXPENDITURES	
Instruction	714,820
Supporting Services	<u>553,908</u>
TOTAL EXPENDITURES	<u>1,268,728</u>
NET CHANGE IN FUND BALANCES	48,581
FUND BALANCES, Beginning	<u>(15,017)</u>
FUND BALANCES, Ending	<u><u>\$ 33,564</u></u>

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

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 48,581
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount that capital outlay \$12,291 exceeded depreciation expense (\$1,229) for the year.	<u>11,062</u>
Change in net position of governmental activities	<u><u>\$ 59,643</u></u>

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

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Global Village Academy (the “Academy”) was formed in 2013 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The Academy receives their primary funding from the Charter School Institute (the “Institute”).

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

Global Village Building Corporation

The Global Village Academy-Colorado Springs Building Corporation (the “Corporation”) is considered to be financially accountable to the Academy. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s General Fund financial statements. Separate financial statements are not available for the Building Corporation.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The Academy reports the following major governmental funds:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Position

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method; equipment – 5 years.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Unearned Revenues –The unearned revenues includes deposits for fees received but not yet available for expenditure until the following year.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

The Academy did not report any long term debt for the year ended June 30, 2014.

Net Position– The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While Academy management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy has reported its prepaid items as nonspendable as of June 30, 2014.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2014.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial insurance for these risks of loss. Settled claims have not exceeded coverage in the last year.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

Cash at June 30, 2014 consisted of the following:

Cash on Hand	\$	700
Deposits		<u>37,779</u>
Total	\$	<u>38,479</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2014, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Academy had deposits with financial institutions with a carrying amount of \$37,779. The bank balances with the financial institutions were \$120,606. The entire balance is covered by federal depository insurance.

Investments

At June 30, 2014 the Academy had no investments to report.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2014 is summarized below.

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Governmental Activities				
Capital Assets, Depreciated				
Machinery and Equipment	\$ _____ -	\$ <u>12,291</u>	\$ _____ -	\$ <u>12,291</u>
Total Capital Assets, Depreciated	_____ -	<u>12,291</u>	_____ -	<u>12,291</u>
Accumulated Depreciation				
Machinery and Equipment	_____ -	<u>1,229</u>	_____ -	<u>1,229</u>
Total Accumulated Depreciation	_____ -	<u>1,229</u>	_____ -	<u>1,229</u>
Net Capital Assets	<u>\$ _____ -</u>	<u>\$ 11,062</u>	<u>\$ _____ -</u>	<u>\$ 11,062</u>

Depreciation was charged to the Supporting Services activity of the Academy.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during an Academy year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2014, were \$17,544 in the General Fund.

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description. The Academy contributes to the Academy Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). Prior to January 1, 2006, the SDTF was part of the Combined State and Academy Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension. The State Division Trust Fund and the Academy Division Trust Fund were separated into two funds as of January 1, 2006. The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Academy 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 (prior to January 1, 2006 this fund was part of the CSSDTF). That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 10.15 % of covered salary. A portion of the Academy's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 7). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, and the retiree is required to pay 8% of covered payroll. The Academy is also required to pay an amortization equalization disbursement equal to 7.3 % of the total payroll for the calendar year 2014, (6.4 % of total payroll for the calendar year 2013). For the year ending June 30, 2014, the Academy's employer contribution for the SDTF was \$37,486, equal to their required contribution for the year.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan 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 provisions 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 or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The Academy is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy 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 Colorado Revised Statutes, as amended. For the year ending June 30, 2014, the Academy’s employer contribution to the HCTF was \$2,257, equal to their required contribution for the year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Operating Lease

On June 27, 2013 the Academy has entered into a non-cancellable operating lease for its building with GVA CS Project Development, LLC. This agreement requires monthly payments ranging from \$60,715 to \$97,063. The final payment is due June 30, 2034. The future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2015	\$ 728,585
2016	746,800
2017	765,470
2018	784,606
2019	804,222
2020-2024	4,332,934
2025-2029	4,902,319
2030-2034	<u>5,546,521</u>
Total	<u>\$ 18,611,457</u>

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease (Continued)

The original rent payments required under the lease were deferred until the lessor completed construction. The annual lease payments are based on the total development costs of \$8,095,390, including a 9% lease factor. Annual lease payments are scheduled to increase by 2.5% annually beginning July 1, 2014. Total rent expense for the year ended June 30, 2014 for the lease was \$186,063.

The lease agreement also includes a purchase option beginning July 1, 2018. The purchase option price ranges from 122% to 110% of the original development costs, depending on the time the purchase option is exercised.

Development Cost Reserve

The Academy is required to regularly set aside funds to build a development cost reserve by the end of the third year of the lease. The development cost reserve must be equal to the base rent for one full lease year and must be maintained for the remainder of the lease term. As of June 30, 2014 the Academy has not set aside any funds to build the development cost reserve.

Charter Collaborative Contract

The Academy has entered into an agreement with Global Village Collaborative (the “Collaborative”). The purpose of this agreement is to advance and carry out the common educational mission of participating Global Village schools. The Collaborative serves as a central office to administer, manage, and support the implementation of the schools’ educational programs. The Collaborative is financed by the schools through fees and assessments calculated on a per student basis. For the year ended June 30, 2014, the Academy paid the Collaborative \$30,000 under the terms of this contract. The Academy owes the Collaborative \$41,279 at June 30, 2014.

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

GLOBAL VILLAGE ACADEMY – COLORADO SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8: *COMMITMENTS AND CONTINGENCIES* (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2014, the reserve of \$29,400 was recorded as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

GLOBAL VILLAGE ACADEMY - COLORADO SPRINGS

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Operating Revenue	\$ 1,793,357	\$ 817,175	\$ 818,997	\$ 1,822
Pupil Activities	6,000	6,000	4,641	(1,359)
Charges for Services	119,075	107,600	77,955	(29,645)
Grants and Donations	-	50,000	428	(49,572)
Other Revenue	2,796	1,234	10,206	8,972
State and Federal Sources				
Grants and Donations	306,762	360,661	405,082	44,421
TOTAL REVENUES	2,227,990	1,342,670	1,317,309	(25,361)
EXPENDITURES				
Instruction				
Salaries	616,650	361,180	349,140	12,040
Employee Benefits	84,431	42,498	37,331	5,167
Purchased Services	133,000	110,715	30,230	80,485
Supplies and Materials	85,000	143,371	253,337	(109,966)
Property	65,000	106,233	44,782	61,451
Total Instruction	984,081	763,997	714,820	49,177
Supporting Services				
Salaries	52,000	57,198	71,398	(14,200)
Employee Benefits	98,705	8,217	10,687	(2,470)
Purchased Services	832,347	384,402	403,749	(19,347)
Supplies and Materials	87,250	81,779	67,824	13,955
Other	3,258	2,305	250	2,055
Total Supporting Services	1,073,560	533,901	553,908	(20,007)
TOTAL EXPENDITURES	2,057,641	1,297,898	1,268,728	29,170
NET CHANGE IN FUND BALANCE	170,349	44,772	48,581	3,809
FUND BALANCE, Beginning	-	(15,017)	(15,017)	-
FUND BALANCE, Ending	\$ 170,349	\$ 29,755	\$ 33,564	\$ 3,809

See the accompanying independent auditors' report.