

**ASCENT CLASSICAL ACADEMY
CHARTER SCHOOLS, INC**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2023

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ascent Classical Academy Charter Schools, Inc

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ascent Classical Academy Charter Schools, Inc, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Ascent Classical Academy Charter Schools, Inc's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ascent Classical Academy Charter Schools, Inc, as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ascent Classical Academy Charter Schools, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ascent Classical Academy Charter Schools, Inc's basic financial statements. The accompanying combining fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from

and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the Ascent Classical Academy Charter Schools, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ascent Classical Academy Charter Schools, Inc's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ascent Classical Academy Charter Schools, Inc's internal control over financial reporting and compliance.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 13, 2023

Ascent Classical Academy Charter Schools, Inc
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

As management of Ascent Classical Academy Charter Schools, Inc (ACACS or the Network), we offer readers of Ascent Classical Academy Charter Schools, Inc's basic financial statements this narrative overview and analysis of the financial activities of the Network for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

As of June 30, 2023, net position increased by \$1,366,393 to \$4,337,193. Ascent Classical Academy Charter Schools, Inc's governmental funds reported an ending fund balance of \$13,499,335, an increase of \$10,387,541 from the prior year.

The operations of the Network are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$14,060,999.

The Network operates four schools, including two schools that will begin serving students in the 2023-2024 school year (in Grand Junction, CO and Brighton, CO), and campuses in Douglas County and Northern Colorado. At the end of the fiscal year, the Douglas County campus increased its fund balance by \$1,066,088 to \$3,190,867 and the Northern Colorado campus increased its fund balance by \$339,947 to \$1,326,962.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Network's basic financial statements. The Network's basic financial 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 Network's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Network's assets and liabilities, and deferred inflows and outflows, with the difference 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 is improving or deteriorating.

The statement of activities presents information showing how 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, revenues 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).

The government-wide statement of activities distinguishes functions/programs of the Network supported primarily by Per Pupil Revenue or other revenues passed through from the Network's authorizer (Colorado Charter School Institute). The governmental activities of ACACS include instruction and supporting 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 Network keeps track of these monies 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 balances of spendable resources available at the end of the fiscal year.

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 Network's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Network maintains two governmental funds, including the General Fund which contains activity separated out by school, and adopts annually appropriated budgets for the funds. Budgetary comparison schedules are included to demonstrate that spending did not exceed the budgets.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Network's financial position. For the fiscal year ended June 30, 2023, ACACS's net position was \$4,337,193.

Of the Network's total net position, \$(1,968,144) is invested in capital assets, \$514,500 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, \$1,808,998 is restricted for debt service, and \$156,900 is restricted for special education spending.

Ascent Classical Academy Charter Schools, Inc's Net Position

	2022-2023	2021-2022
ASSETS		
Cash and Investments	\$ 5,747,436	\$ 3,736,120
Restricted Cash and Cash Equivalents	9,436,704	-
Grants Receivable	1,018,187	925,551
Intergovernmental Accounts Receivable	201,156	125,449
Other Receivables	78,432	109,370
Deposits	25,000	25,000
Prepays	13,506	94,994
Capital Assets, Not Being Depreciated	7,185,718	-
Capital Assets, Net of Accumulated Depreciation	<u>659,670</u>	<u>2,182,763</u>
TOTAL ASSETS	<u>24,365,809</u>	<u>7,199,247</u>
LIABILITIES		
Accounts Payable and Other Accrued Liabilities	2,947,457	1,747,729
Unearned Revenue	73,629	156,961
Noncurrent Liabilities		
Due within One Year	40,129	2,216,226
Due in more than one year	<u>16,967,401</u>	<u>107,531</u>
TOTAL LIABILITIES	<u>20,028,616</u>	<u>4,228,447</u>
NET POSITION		
Net Investment in Capital Assets	(1,968,144)	(143,177)
Restricted for Emergencies	514,500	400,000
Restricted for Debt Service	1,808,998	
Restricted for Special Education	156,900	143,700
Unrestricted	<u>3,824,939</u>	<u>2,570,277</u>
TOTAL NET POSITION	<u>\$ 4,337,193</u>	<u>\$ 2,970,800</u>

Ascent Classical Academy Charter Schools, Inc's Change in Net Position

	2022-2023	2021-2022
REVENUES		
Per Pupil Revenue	\$ 14,060,999	\$ 11,304,264
Mill Levy Override	344,508	569,181
Grants and Contributions Not Restricted to Specific Programs	-	54,895
Charges for Services	278,404	247,001
Operating Grants and Contributions	3,354,942	2,362,658
Capital Grants and Contributions	467,133	245,627
Investment Income	75,036	-
Miscellaneous	32,100	10,074
	<u>18,920,181</u>	<u>14,793,700</u>
EXPENSES		
Instruction	8,293,282	7,784,981
Supporting Services	8,438,524	5,013,349
Interest	821,982	173,093
	<u>17,553,788</u>	<u>12,971,423</u>
TOTAL REVENUE	<u>18,920,181</u>	<u>14,793,700</u>
TOTAL EXPENSES	<u>17,553,788</u>	<u>12,971,423</u>
CHANGE IN NET POSITION	1,366,393	1,822,277
NET POSITION, Beginning, restated	<u>2,970,800</u>	<u>1,148,523</u>
NET POSITION, Ending	<u>\$ 4,337,193</u>	<u>\$ 2,970,800</u>

Financial Analysis of the Government's Funds

As noted earlier, the Network uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Network's General Fund, which is made of activity from four different campuses, reported an ending fund balance of \$4,443,472, an increase of \$1,331,678 from the prior year. The Network also maintains a governmental fund to record the activity of the Classical Education Growth Fund (the Building Corp). The Building Corp was organized for the purpose of acquiring, leasing, constructing, improving, equipping, and

financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the Network. As of the end of the current fiscal year, the Building Corp reported an ending fund balance of \$9,055,863, an increase of \$9,055,863 from the prior year. These amounts differ from the Statement of Net Position due to recognition of capital assets and long-term liabilities included in the Statement of Net Position.

General Fund Budgetary Highlights

ACACS recognized \$350,996 more revenue than expected and spent \$697,264 less than planned, when compared to the final budget. Budget amendments made during the year reflected changes in revenues and expenditures, fine-tuned to account for changes to student enrollment.

Capital Assets & Long-Term Debt

The Network has invested in capital assets for facility construction in progress, land, buildings, building improvements, and equipment, as well as leased assets in the form of buildings, building improvements and equipment. Depreciation expenses for capital assets are booked under the instruction and supporting services program of the Network's operations. More information regarding capital assets may be found in Note 4 to the financial statements. More information regarding leases may be found in Note 5 to the financial statements.

The Network has long-term debt in the form of leases as well as Series 2023 Charter School Revenue Bonds, issued through the Public Finance Authority. Proceeds of the bonds were loaned to the Building Corporation to finance the cost of the Grant Junction campus facility acquisition and improvement project. More information regarding long-term debt may be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Ascent Classical Academy Charter Schools, Inc is student enrollment. Enrollment for the 2022-2023 school year was 1,524.50 funded students. Enrollment projected for 2023-2024 is 2,203.16 funded students, which includes enrollment at two new schools in Grand Junction, CO and Brighton, CO. This factor was considered when preparing ACACS's budget for 2023-2024.

Requests for Information

This financial report is designed to provide a general overview of Ascent Classical Academy Charter Schools, Inc's finances for all those with an interest in the Network's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Network:

Ascent Classical Academy Charter Schools, Inc
4690 Table Mountain Drive, Suite 100
Golden, CO 80403

BASIC FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,747,436
Restricted cash and cash equivalents	9,436,704
Grants Receivable	1,018,187
Intergovernmental Accounts Receivable	201,156
Other Receivables	78,432
Deposits	25,000
Prepays	13,506
Capital assets not being depreciated	7,185,718
Capital assets net of accumulated depreciation/amortization	<u>659,670</u>
Total Assets	<u>24,365,809</u>
LIABILITIES	
Accounts payable and other accrued liabilities	2,947,457
Unearned revenue	73,629
Long-term liabilities	
Due within one year	40,129
Due in more than one year	<u>16,967,401</u>
Total Liabilities	<u>20,028,616</u>
NET POSITION	
Net investment in capital assets	(1,968,144)
Restricted for:	
TABOR	514,500
Debt service	1,808,998
Special Education	156,900
Unrestricted	<u>3,824,939</u>
Total Net Position	<u><u>\$ 4,337,193</u></u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 8,293,282	\$ 278,404	\$ 3,344,401	\$ -	\$ (4,670,477)
Supporting services	8,438,524	-	10,541	467,133	(7,960,850)
Interest	821,982	-	-	-	(821,982)
Total governmental activities	<u>\$ 17,553,788</u>	<u>\$ 278,404</u>	<u>\$ 3,354,942</u>	<u>\$ 467,133</u>	<u>(13,453,309)</u>
General revenues:					
Per pupil revenue					14,060,999
Mill levy override					344,508
Grants and contributions not restricted to specific programs					307,059
Unrestricted investment earnings					75,036
Miscellaneous					<u>32,100</u>
Total general revenues					<u>14,819,702</u>
Change in net position					1,366,393
Net position - beginning					<u>2,970,800</u>
Net position - ending					<u>\$ 4,337,193</u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Building Corp Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 5,694,569	\$ 52,867	\$ 5,747,436
Restricted cash and cash equivalents	-	9,436,704	9,436,704
Grants receivables	1,018,187	-	1,018,187
Intergovernmental receivables	201,156	-	201,156
Other receivables	78,432	-	78,432
Deposits	25,000	-	25,000
Prepays	13,506	-	13,506
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,030,850</u>	<u>\$ 9,489,571</u>	<u>\$ 16,520,421</u>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 2,513,749	\$ 433,708	\$ 2,947,457
Unearned revenue	73,629	-	73,629
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,587,378</u>	<u>433,708</u>	<u>3,021,086</u>
FUND BALANCE			
Non-spendable	13,506	-	13,506
Restricted for:			
TABOR	514,500	-	514,500
Debt service	-	9,055,863	9,055,863
Special Education	156,900	-	156,900
Unassigned	3,758,566	-	3,758,566
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>4,443,472</u>	<u>9,055,863</u>	<u>13,499,335</u>
Total Liabilities and Fund Balance	<u>\$ 7,030,850</u>	<u>\$ 9,489,571</u>	<u>\$ 16,520,421</u>

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

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

Total Fund Balance of Governmental Funds		\$ 13,499,335
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, not being depreciated	\$ 7,185,718	
Capital assets, net of accumulated depreciation/amortization	659,670	7,845,388
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Long-term debt payable		(17,007,530)
Total Net Position of Governmental Activities		\$ 4,337,193

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Corp Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local sources	\$ 1,104,880	\$ 68,677	\$ 1,173,557
State sources	16,039,892	-	16,039,892
Federal sources	<u>1,706,731</u>	<u>-</u>	<u>1,706,731</u>
 Total revenues	 <u>18,851,503</u>	 <u>68,677</u>	 <u>18,920,180</u>
 EXPENDITURES			
Instruction	8,491,999	-	8,491,999
Supporting services	6,671,110	21,302	6,692,412
Debt service			
Interest	116,188	222,613	338,801
Principal	2,216,227	-	2,216,227
Issuance costs	-	483,181	483,181
Facilities acquisition and construction	<u>24,301</u>	<u>7,185,718</u>	<u>7,210,019</u>
 Total expenditures	 <u>17,519,825</u>	 <u>7,912,814</u>	 <u>25,432,639</u>
 Excess (deficiency) of revenues over expenditures	 1,331,678	 (7,844,137)	 (6,512,459)
 OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	<u>-</u>	<u>16,900,000</u>	<u>16,900,000</u>
 Net change in fund balance	 1,331,678	 9,055,863	 10,387,541
Fund balance, beginning	<u>3,111,794</u>	<u>-</u>	<u>3,111,794</u>
Fund balance, ending	<u><u>\$ 4,443,472</u></u>	<u><u>\$ 9,055,863</u></u>	<u><u>\$ 13,499,335</u></u>

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

**ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

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

Net Change in Fund Balance of Governmental Funds	\$	10,387,541
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Depreciation/amortization expense	\$	(1,727,321)	
Capital outlays		7,389,946	5,662,625

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position

Redemption of principal	\$	2,216,227	
Loan proceeds		(16,900,000)	(14,683,773)

Change in Net Position of Governmental Activities	\$	1,366,393
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ascent Classical Academy Charter Schools, Inc (the “Network”) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Network are discussed below.

A. REPORTING ENTITY

The Ascent Classical Academy Charter Schools, Inc is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized in 2017 pursuant to the Colorado Charter Schools Act to form and operate charter schools within the State of Colorado.

The Network comprises of four charter schools: Ascent Classical Academy of Douglas County (“Douglas County”) and Ascent Classical Academy of Northern Colorado (“Northern Colorado”) and Ascent Classical Academy Grand Junction (“Grand Junction”) and Ascent Classical Academy 27J (“27J”). All schools operate under contract with the Colorado Charter School Institute.

The financial reporting entity consists of the Network and organizations for which the Network is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Network. In addition, any legally separate organizations for which the Network is financially accountable are considered part of the reporting entity. Financial accountability exists if the Network 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 Network.

Blended component unit. The Classical Education Growth Fund (the Building Corp) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the Network. The Building Corp is reported as a special revenue fund and does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

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

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Network reports the following major governmental funds:

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

The *Building Corp Fund* is used to account for the financial activities of the Classical Education Growth Fund, including facilities acquisition and construction and the accumulation of resources for the related debt service.

During the course of operations, the Network has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the Network considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the Network the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Cash and cash equivalents

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

Investments

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

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

Receivables

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid items

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

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the Network as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$15,000 are reported as capital assets.

As the Network constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the Network are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 -20 years
Equipment	5 years

Unearned Revenue

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

Leases

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

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Long-term liabilities

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

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

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

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

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fund balance classification

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

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

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

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

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

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

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

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

A budget was not adopted for the Building Corp Fund.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2023 is as follows:

Deposits		\$ 12,715,618
Cash with fiscal agent		868,489
Investments		<u>1,600,033</u>
^{1,4} Total		<u>\$ 15,184,140</u>

Deposits and investments are reported in the financial statements as follows:

Cash and investments		\$ 5,747,436
Restricted cash and investments		<u>9,436,704</u>
Total		<u>\$ 15,184,140</u>

Cash deposits with financial institutions

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

The carrying amount of the Network’s deposits at June 30, 2023 was \$12,715,618 and the bank balances were \$12,739,192. Of the bank balances, \$500,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

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

- Obligations of the United States and certain U.S. government agencies’ securities;
- Certain international agencies’ securities;
- General obligation and revenue bonds of U.S. local government entities;
- Bankers’ acceptances of certain banks;
- Certain commercial paper;
- Local government investment pools;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market fund;
- Guaranteed investment contracts.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Year-end Balance</u>	<u>Measurement</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>
ColoTrust	\$ 593,618	Net asset value	Less than 90 days	AAAm
CSAFE	<u>1,006,415</u>	Net asset value	Less than 90 days	AAAm
	<u>\$ 1,600,033</u>			

Local Government Investment Pools. The Colorado Local Government Liquid Asset Trust (ColoTrust) and Colorado Surplus Asset Fund Trust (CSAFE) are investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools, which operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended, which includes the maintenance of each share equal in value to \$1.00. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians' internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the Network has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and Network policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the Network's investment in a single issuer. The Network places no limit on the amount it may invest in any one issuer. More than 20 percent of the Network's investments are in ColoTrust and CSAFE. These investments are 37% and 63%, respectively, of the Network's total investments.

Fair value of investments. The Network measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

Network investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 5,310,718	\$ -	\$ 5,310,718
Land	<u>-</u>	<u>1,875,000</u>	<u>-</u>	<u>1,875,000</u>
Total capital assets not being depreciated	<u>-</u>	<u>7,185,718</u>	<u>-</u>	<u>7,185,718</u>
Capital assets being depreciated:				
Buildings and improvements	389,698	63,217	-	452,915
Equipment	<u>103,720</u>	<u>141,011</u>	<u>-</u>	<u>244,731</u>
Total capital assets being depreciated	<u>493,418</u>	<u>204,228</u>	<u>-</u>	<u>697,646</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,604)	(36,470)	-	(84,074)
Equipment	<u>(37,493)</u>	<u>(23,707)</u>	<u>-</u>	<u>(61,200)</u>
Total accumulated depreciation	<u>(85,097)</u>	<u>(60,177)</u>	<u>-</u>	<u>(145,274)</u>
Total capital assets being depreciated, net	<u>408,321</u>	<u>144,051</u>	<u>-</u>	<u>552,372</u>
Lease assets being amortized:				
Buildings and improvements	3,262,756	-	(3,262,756)	-
Equipment	<u>178,830</u>	<u>-</u>	<u>-</u>	<u>178,830</u>
Total lease assets being amortized	<u>3,441,586</u>	<u>-</u>	<u>(3,262,756)</u>	<u>178,830</u>
Less accumulated amortization for:				
Buildings and improvements	(1,631,378)	(1,631,378)	3,262,756	-
Equipment	<u>(35,766)</u>	<u>(35,766)</u>	<u>-</u>	<u>(71,532)</u>
Total accumulated amortization	<u>(1,667,144)</u>	<u>(1,667,144)</u>	<u>3,262,756</u>	<u>(71,532)</u>
Total lease assets being amortized, net	<u>1,774,442</u>	<u>(1,667,144)</u>	<u>-</u>	<u>107,298</u>
Capital assets, net of accumulated depreciation/amortization	<u>2,182,763</u>	<u>(1,523,093)</u>	<u>-</u>	<u>659,670</u>
Total governmental activities capital assets	<u>\$ 2,182,763</u>	<u>\$ 5,662,625</u>	<u>\$ -</u>	<u>\$ 7,845,388</u>

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to the functions/programs of the governmental activities of the Network as follows:

Governmental Activities

Instruction	\$	5,510	
Supporting services		<u>1,721,811</u>	
Total depreciation/amortization expense	\$	<u>1,727,321</u>	

NOTE 5 – LEASES

Network as lessee

The Network, as a lessee, has entered into lease agreements involving equipment with lease terms ranging from 2 to 5 years. The total costs of these right-to-use lease assets are recorded as \$178,830, less accumulated amortization of \$71,532. The Network has determined that as of June 30, 2023, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2023 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 40,128	\$ 5,377	\$ 45,505
2025	42,135	3,370	45,505
2026	<u>25,267</u>	<u>1,263</u>	<u>26,530</u>
Total	<u>\$ 107,530</u>	<u>\$ 10,010</u>	<u>\$ 117,540</u>

NOTE 6 – LONG-TERM LIABILITIES

2023 Building Loan

On March 1, 2023, the Public Finance Authority issued \$16,900,000 of Charter School Revenue Bonds, Series 2023. Proceeds of the bonds were loaned to the Building Corp to finance the cost of the Ascent Classical Academy of Grand Junction project. The bonds accrue interest of 5.25% to 6.85% per annum. Interest payments are due monthly beginning on April 15, 2023 through March 15, 2028. The Loan matures on March 15, 2028.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ 890,450
2025	81,690	889,985
2026	340,070	875,284
2027	358,798	856,556
2028	<u>16,119,442</u>	<u>629,808</u>
Total	<u>\$ 16,900,000</u>	<u>\$ 4,142,083</u>

Changes in the Network’s long-term liabilities for the year ended June 30, 2023, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
Loans payable	\$ -	\$ 16,900,000	\$ -	\$ 16,900,000	\$ -
Leases	<u>2,323,757</u>	<u>-</u>	<u>(2,216,227)</u>	<u>107,530</u>	<u>40,129</u>
<i>Total Governmental Activities</i>	<u>\$ 2,323,757</u>	<u>\$ 16,900,000</u>	<u>\$ (2,216,227)</u>	<u>\$ 17,007,530</u>	<u>\$ 40,129</u>

NOTE 7 - MANAGEMENT AGREEMENT

On October 17, 2017, the Network entered into a Management Agreement (Agreement) with Ascent Classical Academies (Ascent), a non-profit Colorado corporation. The Agreement continues until termination or expiration of the charter contract. Substantially all functions of the Network have been contracted to Ascent. Ascent is responsible and accountable to the Network’s Board of Directors for the administration, operation, and performance of the Network in accordance with the Network’s contract with its authorizer to operate the Network. The Network pays Ascent monthly fees ranging from 10% to 12% of qualified gross revenues received by the Network, net of any required withholding, for services performed at locations that are in operation.

The management fee earned by Ascent for the year ended June 30, 2023 was \$2,046,208. Ascent is responsible for all costs incurred in providing the educational program at the Network, which includes but is not limited to, salaries and benefits of all personnel, academic program implementation, finance, budgeting, payroll, human resources, support for school information technology systems, marketing and outreach, and other items identified in the Management Agreement.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - RISK MANAGEMENT

The Network is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Network carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grants

The Network has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the Network, any such adjustments will not have a material adverse effect on the financial position of the Network.

NOTE 10 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The Network is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2023 there is a \$514,500 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The Network believes it is in compliance with the requirements of the amendment. However, the Network has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 818,228	\$ 987,576	\$ 1,104,880	\$ 117,304
State sources	15,006,376	15,735,888	16,039,892	304,004
Federal sources	1,735,043	1,777,043	1,706,731	(70,312)
Total revenues	<u>17,559,647</u>	<u>18,500,507</u>	<u>18,851,503</u>	<u>350,996</u>
EXPENDITURES				
Instruction	8,919,847	9,360,657	8,491,999	868,658
Supporting services	8,742,558	8,856,432	6,671,110	2,185,322
Debt service:				
Interest	-	-	116,188	(116,188)
Principal	-	-	2,216,227	(2,216,227)
Facilities acquisition and construction	-	-	24,301	(24,301)
Total expenditures	<u>17,662,405</u>	<u>18,217,089</u>	<u>17,519,825</u>	<u>697,264</u>
Excess (deficiency) of revenues over expenditures	(102,758)	283,418	1,331,678	1,048,260
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	200,000	200,000	-	(200,000)
Net change in fund balances	97,242	483,418	1,331,678	848,260
Fund balances - beginning	<u>2,033,915</u>	<u>3,281,105</u>	<u>3,111,794</u>	<u>(169,311)</u>
Fund balance - ending	<u><u>\$ 2,131,157</u></u>	<u><u>\$ 3,764,523</u></u>	<u><u>\$ 4,443,472</u></u>	<u><u>\$ 678,949</u></u>

See the accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2023

	Douglas County	Northern County	Grand Junction	27J	Total
ASSETS					
Cash and investments	\$ 3,826,374	\$ 1,605,421	\$ 151,591	\$ 111,183	\$ 5,694,569
Grant receivables	376,948	144,011	260,976	236,252	1,018,187
Intergovernmental receivables	121,717	79,439	-	-	201,156
Other receivables	18,040	60,392	-	-	78,432
Due from other funds	200,000	200,000	-	-	400,000
Deposits	-	25,000	-	-	25,000
Prepays	-	13,506	-	-	13,506
Total Assets	<u>\$ 4,543,079</u>	<u>\$ 2,127,769</u>	<u>\$ 412,567</u>	<u>\$ 347,435</u>	<u>\$ 7,430,850</u>
LIABILITIES					
Accounts payable and other accrued liabilities	\$ 1,298,357	\$ 789,573	\$ 239,480	\$ 186,339	\$ 2,513,749
Due to other funds	-	-	200,000	200,000	400,000
Unearned revenue	53,855	11,234	5,060	3,480	73,629
Total Liabilities	<u>1,352,212</u>	<u>800,807</u>	<u>444,540</u>	<u>389,819</u>	<u>2,987,378</u>
FUND BALANCE					
Non-spendable	-	13,506	-	-	13,506
Restricted for:					
TABOR	316,500	198,000	-	-	514,500
Special Education	90,000	66,900	-	-	156,900
Unassigned	2,784,367	1,048,556	(31,973)	(42,384)	3,758,566
Total Fund Balance	<u>3,190,867</u>	<u>1,326,962</u>	<u>(31,973)</u>	<u>(42,384)</u>	<u>4,443,472</u>
Total Liabilities and Fund Balance	<u>\$ 4,543,079</u>	<u>\$ 2,127,769</u>	<u>\$ 412,567</u>	<u>\$ 347,435</u>	<u>\$ 7,430,850</u>

See the accompanying independent auditors' report.

**ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Douglas County	Northern Colorado	Grand Junction	27J	Total
REVENUES					
Local sources	\$ 780,740	\$ 324,137	\$ 1	\$ 2	\$ 1,104,880
State sources	9,770,649	6,269,243	-	-	16,039,892
Federal sources	920,126	289,377	260,976	236,252	1,706,731
Total revenues	<u>11,471,515</u>	<u>6,882,757</u>	<u>260,977</u>	<u>236,254</u>	<u>18,851,503</u>
EXPENDITURES					
Instruction	5,150,462	3,072,504	129,968	139,065	8,491,999
Supporting services	4,161,601	2,206,754	163,082	139,673	6,671,110
Debt service					
Interest	55,600	60,588	-	-	116,188
Principal	1,013,263	1,202,964	-	-	2,216,227
Facilities acquisition and construction	24,301	-	-	-	24,301
Total expenditures	<u>10,405,227</u>	<u>6,542,810</u>	<u>293,050</u>	<u>278,738</u>	<u>17,519,825</u>
Excess (deficiency) of revenues over expenditures	1,066,288	339,947	(32,073)	(42,484)	1,331,678
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(200)</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>-</u>
Net change in fund balance	1,066,088	339,947	(31,973)	(42,384)	1,331,678
Fund balance, beginning	<u>2,124,779</u>	<u>987,015</u>	<u>-</u>	<u>-</u>	<u>3,111,794</u>
Fund balance, ending	<u>\$ 3,190,867</u>	<u>\$ 1,326,962</u>	<u>\$ (31,973)</u>	<u>\$ (42,384)</u>	<u>\$ 4,443,472</u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DOUGLAS COUNTY
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources	\$ 668,116	\$ 780,740	\$ 112,624
State sources	9,614,839	9,770,649	155,810
Federal sources	895,203	920,126	24,923
Total revenues	<u>11,178,158</u>	<u>11,471,515</u>	<u>293,357</u>
EXPENDITURES			
Instruction	5,942,363	5,150,462	791,901
Support services	4,887,779	4,161,601	726,178
Debt service	-	1,068,863	(1,068,863)
Facilities acquisition and construction	-	24,301	(24,301)
Total expenditures	<u>10,830,142</u>	<u>10,405,227</u>	<u>424,915</u>
Excess (deficiency) of revenues over expenditures	348,016	1,066,288	718,272
OTHER FINANCING SOURCES (USES)			
Transfers	-	(200)	(200)
Net change in fund balance	348,016	1,066,088	718,072
Fund balance, beginning	<u>2,164,976</u>	<u>2,124,779</u>	<u>(40,197)</u>
Fund balance, ending	<u><u>\$ 2,512,992</u></u>	<u><u>\$ 3,190,867</u></u>	<u><u>\$ 677,875</u></u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
NORTHERN COLORADO
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources	\$ 319,460	\$ 324,137	\$ 4,677
State sources	6,121,049	6,269,243	148,194
Federal sources	281,840	289,377	7,537
Total revenues	<u>6,722,349</u>	<u>6,882,757</u>	<u>160,408</u>
EXPENDITURES			
Instruction	3,018,294	3,072,504	(54,210)
Support services	3,568,653	2,206,754	1,361,899
Debt service	-	1,263,552	(1,263,552)
Total expenditures	<u>6,586,947</u>	<u>6,542,810</u>	<u>44,137</u>
Net change in fund balance	135,402	339,947	204,545
Fund balance, beginning	<u>1,116,129</u>	<u>987,015</u>	<u>(129,114)</u>
Fund balance, ending	<u>\$ 1,251,531</u>	<u>\$ 1,326,962</u>	<u>\$ 75,431</u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRAND JUNCTION
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources	\$ -	\$ 1	\$ 1
Federal sources	300,000	260,976	(39,024)
Total revenues	<u>300,000</u>	<u>260,977</u>	<u>(39,023)</u>
EXPENDITURES			
Instruction	200,000	129,968	70,032
Support services	200,000	163,082	36,918
Total expenditures	<u>400,000</u>	<u>293,050</u>	<u>106,950</u>
Excess (deficiency) of revenues over expenditures	(100,000)	(32,073)	67,927
OTHER FINANCING SOURCES (USES)			
Transfers	100,000	100	(99,900)
Net change in fund balance	-	(31,973)	(31,973)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ (31,973)</u>	<u>\$ (31,973)</u>

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
27J
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources	\$ -	\$ 2	\$ 2
Federal sources	300,000	236,252	(63,748)
Total revenues	<u>300,000</u>	<u>236,254</u>	<u>(63,746)</u>
EXPENDITURES			
Instruction	200,000	139,065	60,935
Support services	200,000	139,673	60,327
Total expenditures	<u>400,000</u>	<u>278,738</u>	<u>121,262</u>
Excess (deficiency) of revenues over expenditures	(100,000)	(42,484)	57,516
OTHER FINANCING SOURCES (USES)			
Transfers	100,000	100	(99,900)
Net change in fund balance	-	(42,384)	(42,384)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ (42,384)</u>	<u>\$ (42,384)</u>

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Additional Award Identification	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education					
Passed Through Colorado Department of Education					
<i>Special Education Cluster</i>					
Special Education: Grants to States IDEA Part B	84.027		4027, 6027	\$	194,325
Charter Schools	84.282		5282		1,230,333
English Language Acquisition Grants	84.365		4365		1,396
Improving Teacher Quality State Grants	84.367		4367		10,541
Education Stabilization Fund					
ESSER III	84.425U	COVID-19	9414		184,440
ESSER II	84.425D	COVID-19	4420		85,696
Total U.S. Department of Education				-	1,706,731
Total Federal Awards				\$ -	\$ 1,706,731

See the accompanying independent auditors' report.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ascent Classical Academy Charter Schools, Inc under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ascent Classical Academy Charter Schools, Inc, it is not intended to and does not present the financial position, changes in net position, or cash flows of Ascent Classical Academy Charter Schools, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

Ascent Classical Academy Charter Schools, Inc has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Ascent Classical Academy Charter Schools, Inc

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Ascent Classical Academy Charter Schools, Inc, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ascent Classical Academy Charter Schools, Inc's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ascent Classical Academy Charter Schools, Inc's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ascent Classical Academy Charter Schools, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of Ascent Classical Academy Charter Schools, Inc's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ascent Classical Academy Charter Schools, Inc's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ascent Classical Academy Charter Schools, Inc's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ascent Classical Academy Charter Schools, Inc's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Ascent Classical Academy Charter Schools, Inc's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 13, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Ascent Classical Academy Charter Schools, Inc

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ascent Classical Academy Charter Schools, Inc's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Ascent Classical Academy Charter Schools, Inc's major federal programs for the year ended June 30, 2023. Ascent Classical Academy Charter Schools, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ascent Classical Academy Charter Schools, Inc complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ascent Classical Academy Charter Schools, Inc and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ascent Classical Academy Charter Schools, Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ascent Classical Academy Charter Schools, Inc's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ascent Classical Academy Charter Schools, Inc's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ascent Classical Academy Charter Schools, Inc's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ascent Classical Academy Charter Schools, Inc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ascent Classical Academy Charter Schools, Inc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ascent Classical Academy Charter Schools, Inc's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 13, 2023

**ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? x yes ___ none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? ___ yes x none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes x no

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
ALN 84.282	Charter Schools
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	___ yes <u>x</u> no

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II—Financial Statement Findings

2023-001 Accounting for Debt Issuances and Related Capital Projects

Criteria: Debt issuances and related capital projects should be recorded on the modified accrual basis of accounting. Specifically, debt issuances should be recorded at gross amounts of debt proceeds and issuance costs. Additionally, property acquisitions and remodeling should be accounted for separately and as assets are acquired or costs are incurred.

Condition: We noted that the School recorded the issuance of debt net of origination fee. In addition, the School was not initially provided access to two bank accounts related to the new issuance. Without that documentation, the School recorded the project fund as a capital outlay rather than cash. These errors caused misstatements on both the balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Context: This finding was noted during substantive testing of balance sheet and other significant accounts.

Effect: Misstated balances in balance sheet and other significant accounts.

Cause: Lack of controls over the recording and review of debt and related capital outlays.

Recommendation: We recognize that management has procedures in place, but recommend that management follow existing procedures that provide for the review of transactions and balances for appropriate accounting treatment under the modified accrual basis of accounting on a timely basis.

Management response: Management will continue to implement procedures that provide for improved controls over the accounting of debt issuances and related capital projects as well as a more thorough review of financial statements and supporting schedules as staffing allows.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

ASCENT CLASSICAL ACADEMY CHARTER SCHOOLS, INC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Ascent Classical Academy Charter Schools, Inc Schedule of Findings and Questioned Costs for the year ended June 30, 2022. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2023 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior year audit findings.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

2023-001 Accounting for Debt Issuances and Related Capital Projects

Criteria: Debt issuances and related capital projects should be recorded on the modified accrual basis of accounting. Specifically, debt issuances should be recorded at gross amounts of debt proceeds and issuance costs. Additionally, property acquisitions and remodeling should be accounted for separately and as assets are acquired or costs are incurred.

Condition: We noted that the School recorded the issuance of debt net of origination fee. In addition, the School was not initially provided access to two bank accounts related to the new issuance. Without that documentation, the School recorded the project fund as a capital outlay rather than cash. These errors caused misstatements on both the balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Management response: Management will continue to implement procedures that provide for improved controls over the accounting of debt issuances and related capital projects as well as a more thorough review of financial statements and supporting schedules as staffing allows.

Responsibility for Corrective Action: Chris Scott, CFO

Anticipated Completion Date: Fall 2023