

**COLORADO EDUCATION SOLUTIONS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**



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**COLORADO EDUCATION SOLUTIONS  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>I</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>IV</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>BALANCE SHEET — GENERAL FUND</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE — GENERAL FUND</b>	<b>4</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>5</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE — BUDGET AND ACTUAL — GENERAL FUND</b>	<b>15</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>BALANCE SHEET — GENERAL FUND BY LOCATION</b>	<b>17</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCES — GENERAL FUND BY LOCATION</b>	<b>18</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>19</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Colorado Education Solutions  
Lakewood, Colorado

### Report on the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of Colorado Education Solutions (CES), a discretely presented component unit of Byers School District 32J, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise CES' 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 the major fund of CES, as of June 30, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CES 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 CES' 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.

### ***Auditors' 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 auditors' 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 GAAS 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 GAAS 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 CES' 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 CES' 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 the budgetary comparison 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 GAAS, 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 CES' basic financial statements. The balance sheet - general fund by location and the statement of revenues, expenditures, and changes in fund balance - general fund by location (supplementary information) 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 GAAS. In our opinion, the supplementary information is 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 November 29, 2022, on our consideration of CES' 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 CES' 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 CES' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 29, 2022

**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

In this Management's Discussion and Analysis (MD&A) section of the Financial Statements for Colorado Education Solutions (CES), we provide readers with a narrative overview and analysis of the financial activities for the year ended June 30, 2022. This discussion and analysis are also intended to serve as an introduction to CES' basic financial statements. We encourage readers to consider the information presented here in conjunction with the information presented in the basic financial statements to enhance their understanding of CES' financial activity and performance.

**Financial Highlights**

Key to the financial condition of the organization is the strength of the statement of net position disclosing amounts for assets, liabilities, and net position.

At the close of the prior fiscal year, CES experienced a \$401,356 decrease in net position due to the Board's decision to temporarily use the TABOR Emergency Reserves in accordance with state statute. CES has not replenished the reserve balance as of June 30, 2022.

Total unrestricted net position was \$127,724 at June 30, 2022.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of three components:

- Government-wide Financial Statements on pages 1 and 2
- Fund Financial Statements on pages 3 and 4
- Notes to the Financial Statements on pages 5-13

**Government-wide Financial Statements**

The Government-wide Financial Statements are designed to provide readers with a long-term and broad overview of CES' finances as a whole in a manner similar to a private sector business. The Government-wide Financial Statements use an economic resource management focus in which all of the assets are available to CES for the purpose of providing goods and services to qualified enrolled students, and the full accrual basis of accounting, which results in recording changes in assets and liabilities (revenues and expenses) when the underlying event causing the changes occurs to present this long-term and broad overview of financial position and activities in the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents the financial position of CES as a whole at the end of the fiscal year by presenting information on all of CES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether CES' financial position is improving or deteriorating.

The Statement of Activities shows how the financial position of CES as a whole has changed since the beginning of the fiscal year. In the Statement of Activities, all changes in net position are reported as soon as the underlying economic event has occurred, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

**Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to record cash and other financial resources and related liabilities and residual equities segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. CES uses fund accounting to ensure and demonstrate compliance with finance-related regulations, requirements, restrictions, or limitations. Fund financial statements for CES include a Governmental Fund only.

The measurement focus for governmental fund accounting is current financial resources, which include cash and near-cash assets and short-term debt that are available during the fiscal year and soon enough after the end of the fiscal year to financially support the purpose of carrying on specific activities or attaining certain objectives in accordance with the special regulations, restrictions or limitations that define the fund.

Governmental fund accounting uses the modified accrual basis of accounting. This basis of accounting records and reports the inflows and outflows of current financial resources (spendable/appropriable resources) under the special regulations, restrictions, or limitations that define the fund. Governmental fund financial statements reinforce the Government-wide Financial Statements by focusing on the current financial resources and emphasizing the need for short-term financing and generation of spendable resources. Governmental fund financial statements provide additional information related to the regulation, restrictions, or limitations that define the funds, their impact on the ability of the fund to finance current activities and specific missions, and measurement against the planned appropriations and budgets of the responsible officials of CES.

**Governmental Fund** — is 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 inflow and outflows of financial (spendable/appropriable) resources, as well as on balances of financial (spendable) resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing and appropriation related requirements.

Because the focus of Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds in Fund Financial Statements 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 government's near-term financing decisions. A reconciliation of the Total Governmental Fund Balances in the Fund Financial Statements balance sheet to the Net Position of Governmental Activities in the Government-wide Financial Statements is provided following the Balance Sheet of Government Funds in the Fund Financial Statements. A reconciliation of the Net Change in Fund Balance — Total Governmental Fund in the Fund Financial Statements to the Change in Net Position of Governmental Activities in the Government-wide Financial Statement is provided following the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Fund Financial Statements.

These reconciliations provide explanations of differences between these balances and facilitate an understanding of the differences between the measurement focuses and basis of accounting used in preparing the Fund Financial Statements and the Government-wide Financial Statements.

**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

In this annual report, CES reports one governmental fund. Information is presented separately in the Fund Financial Statements for the General Fund. Individual Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are presented for the General Fund.

**Notes to the Basic Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

**Budgetary Comparisons**

CES adopts an annual appropriated budget for its governmental fund. A budgetary comparison schedule has been provided for the General Fund on page 15.

**CHANGES IN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Condensed Statement of Net Position**

The following table provides a condensed presentation of CES' Government-wide Statement of Net Position for fiscal years June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current Assets	\$ 4,756,416	\$ 5,086,998
Total Assets	4,756,416	5,086,998
<b>LIABILITIES</b>		
Current Liabilities	4,578,692	4,909,274
Total Liabilities	4,578,692	4,909,274
<b>NET POSITION</b>		
Restricted	50,000	50,000
Unrestricted	127,724	127,724
Total Net Position	\$ 177,724	\$ 177,724

A review of the Government-wide Statement of Net Position for CES for fiscal year 2022 shows that current assets exceed current liabilities by \$177,724 and overall net position experienced no change during the current fiscal year.



**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

**Condensed Statement of Activities**

The following table provides a condensed presentation of CES' Government-wide Statement of Activities for fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Operating Grants and Contributions	\$ 3,340,407	\$ 2,366,580
Intergovernmental	35,923,703	33,449,687
Other	11,619	11,054
Total Revenues	<u>39,275,729</u>	<u>35,827,321</u>
<b>EXPENSES</b>		
Current		
Instruction	30,408,295	28,145,953
Support Services:		
Student Services	5,590,757	4,738,074
General Administrative	1,475,735	1,394,581
School Administrative	1,376,695	1,350,180
Business Services	86,888	104,154
Operations & Maintenance of Plant	251,947	366,778
Central Support Services	85,412	128,957
Total Expenses	<u>39,275,729</u>	<u>36,228,677</u>
<b>CHANGE IN NET POSITION</b>	-	(401,356)
Net Position - Beginning of Year	<u>177,724</u>	<u>579,080</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 177,724</u>	<u>\$ 177,724</u>

Revenue and expense line items used in the condensed Government-wide Statement of Activities for CES account for the following:

- Operating Grants and Contributions – Grants received from the federal and state government to aid in the funding of the instructional operations.
- Intergovernmental Revenue — The major portion of intergovernmental revenue is provided by the Colorado Public School Finance Act of 1994 (Finance Act), which provides for the funding of public schools on a full-time equivalent (FTE) pupil enrollment count formula. Student FTE was 4,383.5 for all eight of CES' Schools combined for the 2022 fiscal year.
- Instruction — Instructional expenses include activities dealing directly with the interactions between teaching staff and students.
- Student Services — Activities designed to assess and improve the well-being of students and to supplement the teaching process. These services pertain to interaction between students and teachers by designing the educational program for the needs of individual students and include activities designed to improve student attendance.

**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

- General Administrative — Activities concerned with establishing and administering policy for operating the school.
- School Administrative — Activities concerned with the overall administrative responsibility for the school.
- Business Services — Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the school. Included are the fiscal and internal services necessary for operating the school.
- Operations & Maintenance of Plant — Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair.
- Central Support Services — Activities, other than general administration, which support each of the other instructional and support service programs. These activities include planning, research, development, evaluation, information, staff, and data processing services.

**ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Analysis of Government-wide Financial Position

Net position, the amount by which CES' assets exceed its liabilities, are generally accepted as the primary indicator of CES' financial position. Increasing net position from one year to the next indicates an improvement in CES' financial position while decreasing net position from one year to the next indicates deterioration in CES' financial position.

As of June 30, 2022, CES' assets exceeded liabilities by \$177,724. The changes in government-wide net position are presented and discussed above in the Changes in the Government-wide Financial Statements section of this MD&A.

CES' unrestricted net position was \$127,724 in fiscal year 2022.

The remaining net position, \$50,000 in fiscal year 2022, represents resources that are subject to external restrictions on how they may be used. Included in this category are reserves for Special Education required by an agreement with the East Central Board of Cooperative Educational Services.

Analysis of Government-wide Results of Operation

The primary indicator used to assess the health of a charter school network's operations is whether revenues exceed expenses for the fiscal year. The fact that revenues exceed expenses for the fiscal year demonstrates that the government is able to fund the services it is required to provide to the charter schools on an ongoing basis.

The changes in government-wide revenue are presented and discussed above in the Changes in the Government-wide Financial Statements section of this Management's Discussion and Analysis.

**COLORADO EDUCATION SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

**ANALYSIS OF BALANCES OF FUND FINANCIAL STATEMENTS**

**Fund Financial Statements Overview**

CES uses fund accounting to ensure and demonstrate compliance with finance-related regulations, requirements, restrictions, or limitations and to report the financial position and financial activity of the funds. Fund Financial Statements reinforce the Government-wide Financial Statements and provide additional information related to regulations, requirements, restrictions or limitations and report the financial position and financial activity of the funds. The Fund Financial Statements include a Governmental Fund.

**Governmental Fund**

Governmental Fund Financial Statements focus on the current financial resources, cash and near-cash assets and short-term debt that are available during the fiscal year and soon enough after the end of the fiscal year to financially support the purpose of carrying on specific activities or attaining certain objectives in accordance with the special regulation, restrictions or limitations that define the fund. This information is useful in assessing CES' current financial resource requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for future spending at the end of the fiscal year.

The total ending fund balance of CES governmental fund was \$177,724 at the end of fiscal year 2022. A portion of the governmental fund ending fund balance was not available for new spending in the following fiscal year because it is restricted for the following purposes:

- Special Education Reserve - \$50,000
- TABOR (Taxpayer's Bill of Rights) - \$0

**GENERAL FUND BUDGET VARIANCE ANALYSIS**

CES' budget is prepared according to Colorado Statutes.

	Final Budget	Actual	Variance Positive (Negative)
Fund Balance - Beginning of Year	\$ 177,724	\$ 177,724	\$ -
Revenues	39,520,822	39,275,729	(245,093)
Expenditures	39,520,822	39,275,729	245,093
Fund Balance - June 30, 2022	<u>\$ 177,724</u>	<u>\$ 177,724</u>	<u>\$ -</u>

**Economic Factors and Next Year's Budget**

An increase in per pupil funding by at least inflation plus 1% was provided by the State Constitution Amendment 23, passed by the voters in November 2000. For fiscal year 2023, CES charter schools will be receiving an estimated \$8,686 per pupil (FTE basis).

**Requests for Information**

This financial report is designed to provide a general overview of CES' finances for all those with an interest in CES' charter schools. Questions concerning any of the information provided in this report shall be addressed to Colorado Education Solutions., Attn: Treasurer, 165 S. Union Blvd., Ste. 777, Lakewood, CO 80228.

**COLORADO EDUCATION SOLUTIONS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 4,711,531
Accounts Receivable	34,899
Prepaid Expenses	325
Deposits	<u>9,661</u>
Total Assets	<u>4,756,416</u>
<b>LIABILITIES</b>	
Accounts Payable	4,011,236
State Equalization Payable	<u>567,456</u>
Total Liabilities	<u>4,578,692</u>
<b>NET POSITION</b>	
Restricted for:	
Special Education Reserve	50,000
Unrestricted	<u>127,724</u>
Total Net Position	<u><u>\$ 177,724</u></u>

See accompanying Notes to Financial Statements.

**COLORADO EDUCATION SOLUTIONS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
Instruction	\$ 30,408,295	\$ 3,340,407	\$ (27,067,888)
Supporting Services:			
Student Services	5,590,757	-	(5,590,757)
General Administrative	1,475,735	-	(1,475,735)
School Administrative	1,376,695	-	(1,376,695)
Business Services	86,888	-	(86,888)
Operations and Maintenance of Plant	251,947	-	(251,947)
Central Support Services	85,412	-	(85,412)
	<u>\$ 39,275,729</u>	<u>\$ 3,340,407</u>	<u>(35,935,322)</u>
Total Governmental Activities			

**GENERAL REVENUES**

Intergovernmental	35,923,703
Other	11,619
Total General Revenues	<u>35,935,322</u>

**CHANGE IN NET POSITION**

Net Position - Beginning of Year	<u>177,724</u>
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<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 177,724</u></u>
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See accompanying Notes to Financial Statements.

**COLORADO EDUCATION SOLUTIONS  
BALANCE SHEET — GENERAL FUND  
JUNE 30, 2022**

General

**ASSETS**

Cash and Investments	\$	4,711,531
Accounts Receivable		34,899
Prepaid Items		325
Deposit Held		<u>9,661</u>
Total Assets	\$	<u><u>4,756,416</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$	4,011,236
State Equalization Payable		<u>567,456</u>
Total Liabilities		4,578,692

**FUND BALANCE**

Nonspendable		325
Restricted:		
Special Education Reserve		50,000
Unassigned:		<u>127,399</u>
Total Fund Balance		<u>177,724</u>

Total Liabilities and Fund Balance	\$	<u><u>4,756,416</u></u>
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Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of Governmental Fund	\$	<u>177,724</u>
Net Position of Governmental Activities	\$	<u><u>177,724</u></u>

See accompanying Notes to Financial Statements.

**COLORADO EDUCATION SOLUTIONS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	General
<b>REVENUES</b>	
Federal Revenues	\$ 1,880,204
State Revenues	37,383,906
Other Revenues	11,619
Total Revenues	39,275,729
<b>EXPENDITURES</b>	
Instruction	30,408,295
Support Services:	
Student Services	5,590,757
General Administrative	1,475,735
School Administrative	1,376,695
Business Services	86,888
Operations and Maintenance of Plant	251,947
Central Support Services	85,412
Total Expenditures	39,275,729
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-
<b>NET CHANGE IN FUND BALANCE</b>	-
Fund Balance - Beginning of Year	177,724
<b>FUND BALANCE - END OF YEAR</b>	\$ 177,724

A reconciliation reflecting the differences between the governmental fund net change in fund balance and change in net position reported for governmental activities in the statement of activities is as follows:

Net Change in Fund Balance - Total Governmental Fund	\$ -
Change in Net Position of Governmental Activities	\$ -

See accompanying Notes to Financial Statements.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Colorado Education Solutions (CES) is a charter school network based on the Colorado Charter Schools Act (C.R.S. §§ 22-30.5-104.7). CES was formed to advance the educational mission of participating charter schools in the state of Colorado.

CES may hold one or more charter contracts through one or more authorizers for purposes of operating more than one school. CES is governed by a single governing body. CES is authorized to make necessary and appropriate expenditures from any lawful source for central office purposes and to allocate funds among the schools that it operates, as permitted by law.

During the fiscal year ended June 30, 2022, CES operated the following charter schools: Colorado Virtual Academy Elementary School, Colorado Virtual Academy Middle School, Colorado Virtual Academy High School, Colorado Online Middle School, Colorado Online High School, Astravo Online Academy Elementary School, Astravo Online Academy Middle School, and Astravo Online Academy High School (collectively, the Schools).

The Schools are component units of the Byers School District 32J (the District) because even though they are separate legal entities, the Schools operate under authority of the District, which exercises oversight as required by Colorado law. CES and the Schools provide education, at no cost to the parents, to students in kindergarten through twelfth grade.

Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. CES operates multiple charter schools authorized by the District, which is responsible for oversight of the School's operations.

CES operates as an organization exempt from federal income tax as a governmental entity pursuant to laws applicable to public schools.

The majority of CES' funding is provided by the state of Colorado and passed through the District.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental units. A summary of CES' significant accounting policies consistently applied in the preparation of these financial statements follows.



**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Reporting Entity**

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

CES is a public entity established as a charter school network pursuant to Colorado state law. CES is authorized to provide any function, service, or facility that is lawfully authorized for each of CES' charter schools.

For financial reporting purposes, in conformance with GASB, CES includes all funds, agencies, boards, and commissions that are controlled by or dependent on its board of directors. Control by or dependence on CES was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of CES, obligation of CES to finance any debts that may occur, or receipt of significant subsidies from CES. CES is not financially accountable for any other entity.

**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 CES. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental fund. CES has one major individual governmental fund — the General Fund.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting**

The accounts of CES are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major fund presented in the accompanying basic financial statements is as follows:

*Major Governmental Fund*

**General Fund** — The General Fund is the general operating fund of CES. It is used to account for all financial resources except those required to be accounted for in another fund.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented 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. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

The governmental fund uses the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts, and an unearned revenue account is established when receipts exceed the related expenditures.

**Cash and Investments**

Investments are measured at amortized cost.

**Net Position**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 CES 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 either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. CES had \$325 in nonspendable resources as of June 30, 2022.

**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. CES has classified Special Education Reserves as being restricted because their use is restricted by an agreement with the East Central Board of Cooperative Educational Services. CES has also classified TABOR Reserves as being restricted because their use is restricted by state statute for declared emergencies. However, during the prior fiscal year, CES elected to utilize the TABOR Reserves due to the ongoing COVID-19 emergency. As a result, the \$50,000 restricted balance is only related to Special Education Reserves as of June 30, 2022.

**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 (i.e., 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. CES did not have any committed resources as of June 30, 2022.

**Assigned** — This classification includes amounts that are subject to a purpose constraint that represents an intended use as directed by the board of directors but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. CES did not have any assigned fund balance as of June 30, 2022.

**Unassigned** — This classification includes the residual fund balance for the General Fund.

CES 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 fund balance.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budget and Budgetary Accounting**

A budget was adopted for the General Fund for fiscal year 2022, on a basis consistent with accounting principles generally accepted in the United States of America.

CES' 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 prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

CES' budgeted and actual expenditures for the year ending June 30, 2022 represent the following:

	Budgeted Amounts Final	Actual Expenditures	Variance with Final Budget Positive (Negative)
General Fund	\$ 39,520,822	\$ 39,275,729	\$ 245,093

**NOTE 3 CASH AND INVESTMENTS**

**Cash Deposits**

CES' deposits are governed by Colorado Statute. 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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The cash balance was held by banking institutions in the state of Colorado and was fully collateralized, to the extent not covered by federal deposit insurance.

At June 30, 2022, CES had cash deposits with a carrying amount of \$4,711,531.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

**Credit Risk**

CES has not adopted a formal investment policy; however, CES follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States, U.S. government agency securities, and World Bank
- Certain corporate bonds
- General obligation and revenue bonds of U.S. state and local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain securities lending agreements

The money market fund held by CES is rated P-1 by Moody's.

**Interest Rate Risk**

Colorado revised statutes generally limit investment maturities to five years or less unless formally approved by the board of directors. Revenue bonds of U.S. local governments, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of June 30, 2022, CES had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Money Market Mutual Fund	Less than 1 Year	<u>\$ 318,967</u>

At June 30, 2022, cash deposits and investments consisted of the following:

Cash Deposits	\$ 4,392,564
Investments	318,967
Total	<u>\$ 4,711,531</u>

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

CES categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CES' money market fund investment as of June 30, 2022 is measured at amortized cost and is therefore not categorized in a level of the fair value hierarchy.

**NOTE 4 STATE EQUALIZATION PAYABLE**

Revenue of CES is primarily provided by the Colorado Public School Finance Act of 1994, which provides funding to public schools on a full time equivalent (FTE) per pupil enrollment count. CES performs a pupil enrollment count each October. The enrollment count is subject to audit by the Colorado Department of Education (CDE). CES performs an internal review of ineligible students based on the attendance window and performs a calculation to set aside their estimate of the payable that will be due to CDE after the enrollment count audit. CES has recorded a total liability of \$567,456 for the Enrollment reserve for fiscal years 2019 through 2022.

**NOTE 5 TAX SPENDING AND DEBT LIMITATIONS**

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

Spending and revenue limits are determined based on the prior year's Fiscal Year spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service and certain expenditures). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On March 10, 2020, the governor of the state of Colorado issued Executive Order D 2020 003 (Emergency Declaration) pursuant to state law, due to the effects of the coronavirus (COVID-19) pandemic. The COVID-19 pandemic created an emergency situation for educational institutions, including CES and its schools and students, and necessitated the taking of extraordinary action to best serve the interests of CES and its schools and students.

**COLORADO EDUCATION SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 TAX SPENDING AND DEBT LIMITATIONS (CONTINUED)**

Upon the advice of legal counsel, the CES Board of Directors (the Board) determined that the Emergency Declaration enabled the use of the TABOR Emergency Reserve and declared an emergency for CES necessitating and authorizing the use of the Emergency Reserve. The Board directed that the funds be paid in accordance with C.R.S §§ 22-44-105(c.6), which requires monies expended from the Reserve in a single fiscal year to be restored to the Reserve within 36 months of the first draw of money from the Reserve. As of June 30, 2022, the Reserve has not been replenished.

CES believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

**NOTE 6 RELATED PARTY TRANSACTIONS**

CES is a charter school network based on the Colorado Charter School Act, C.R.S. §§ 22-30.5-104.7. During the fiscal year ended June 30, 2022, CES operated the following charter schools: Colorado Virtual Academy Elementary School, Colorado Virtual Academy Middle School, Colorado Virtual Academy High School, Colorado Online Middle School, Colorado Online High School, Astravo Online Academy Elementary School, Astravo Online Academy Middle School, and Astravo Online Academy High School (collectively, the Schools).

All of the Schools are authorized by the Byers School District No. 32J (District). As compensation for central administrative costs incurred by the District on behalf of the Schools and for providing services, training, and routine consultation to the Schools and CES, the District retains the per pupil amount authorized by statute and as agreed between the parties. Payments made from CES to the District during the year ended June 30, 2022 amounted to \$1,243,827.

CES entered into a Special Education Services Agreement with the East Central Board of Cooperative Educational Services (ECBOCES) under which ECBOCES serves as the administrative unit of record for CES' special education program. Program revenue received by CES from the ECBOCES during the year ended June 30, 2022, amounted to \$1,572,369. As compensation for providing services, training, and routine consultation to CES, ECBOCES retains an amount as agreed between the parties. Payments made from CES to ECBOCES during the year ended June 30, 2022 amounted to \$157,236.

All related party transactions are properly documented, disclosed, and approved. CES believes that compensation paid is fair for the services rendered.

**NOTE 7 RISK MANAGEMENT**

CES is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. CES maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in the prior three fiscal years.

**COLORADO EDUCATION SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 COMMITMENTS**

CES routinely enters into agreements with vendors to provide curriculum, materials, services, and/or systems. Agreements that span multiple fiscal years typically contain a provision allowing CES to terminate the agreement in the event of nonappropriation. All agreements are properly documented, disclosed, and approved. CES believes that compensation paid is fair for the services rendered.

CES entered into a Standard Office Lease agreement on April 30, 2019, with Union Tower Owner LLC for administrative office space. The lease was amended on October 31, 2019; December 31, 2019; October 2, 2020; and August 16, 2021. The Second Lease Amendment included a rent abatement period while leasehold improvements are being made. This rent abatement period covered all of fiscal year 2022. Once leasehold improvements have been completed, the Fourth Lease Amendment will commence for a 102-month long agreement. See the lease payment schedule below. The lease provides for annual termination rights that can be exercised unilaterally by CES without penalty in the event of nonappropriation by the CES board of directors.

<b>Months from and after Fourth Amendment Commencement Date</b>	<b>Annual Base Rent per RSF</b>	<b>Monthly Base Rent</b>
1 – 12	\$29.50	\$10,961.71
13 – 24	\$30.00	\$11,147.50
25 – 36	\$30.50	\$11,333.29
37 – 48	\$31.00	\$11,519.08
49 – 60	\$31.50	\$11,704.88
61 – 72	\$32.00	\$11,890.67
73 - 84	\$32.50	\$12,076.45
85 - 96	\$33.00	\$12,262.25
97 - 102	\$33.50	\$12,448.04

CES entered into a Charter Network Contract with Byers 32J School District (District) effective July 1, 2016. The District provides oversight of the Schools and incurs central administrative costs on behalf of the Schools. The District also provides services, training, and routine consultation to the Schools and CES.

CES entered into a Services Agreement with Learning Network (LN), which requires LN to provide administration, planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students at the Schools. LN provides similar services to schools in other states. Under the terms of the Services Agreement, LN receives as remuneration for its services an amount equal to the revenue received by CES less certain expenses.

CES entered into a Special Education Services Agreement with the East Central Board of Cooperative Education Services (ECBOCES). The Agreement was entered into between ECBOCES and a predecessor entity of CES and became effective on July 1, 2014. ECBOCES is the administrative unit of record for the special education program at the Schools and pursuant to this Agreement provides oversight, services, training, and routine consultation to the Schools and CES.



**REQUIRED SUPPLEMENTARY INFORMATION**

**COLORADO EDUCATION SOLUTIONS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —  
BUDGET AND ACTUAL — GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Federal Sources	\$ 2,429,094	\$ 1,880,204	\$ (548,890)
State Sources	37,076,728	37,383,906	307,178
Other Sources	15,000	11,619	(3,381)
Total Revenues	<u>39,520,822</u>	<u>39,275,729</u>	<u>(245,093)</u>
<b>EXPENDITURES</b>			
Current:			
Instructional	30,348,359	30,408,295	(59,936)
Support Services:			
Student Services	5,424,769	5,590,757	(165,988)
General Administrative	1,585,374	1,475,735	109,639
School Administrative	1,517,418	1,376,695	140,723
Business Services	113,806	86,888	26,918
Operations & Maintenance of Plant	379,354	251,947	127,407
Central Support Services	151,742	85,412	66,330
Total Expenditures	<u>39,520,822</u>	<u>39,275,729</u>	<u>245,093</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balances - Beginning of Year	<u>177,724</u>	<u>177,724</u>	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 177,724</u>	<u>\$ 177,724</u>	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

**COLORADO EDUCATION SOLUTIONS  
BALANCE SHEET — GENERAL FUND BY LOCATION  
JUNE 30, 2022**

	Colorado Virtual Academy Elementary School	Colorado Virtual Academy Middle School	Colorado Virtual Academy High School	Colorado Online Middle School	Colorado Online High School	Astravo Online Academy Elementary School	Astravo Online Academy Middle School	Astravo Online Academy High School	Total
<b>ASSETS</b>									
Cash and Investments	\$ 413,673	\$ 130,980	\$ 391,057	\$ 276,096	\$ 369,855	\$ 718,980	\$ 758,086	\$ 1,652,804	\$ 4,711,531
Other Current Assets	3,941	1,248	3,725	2,630	3,523	6,850	7,222	15,746	44,885
<b>Total Assets</b>	<b>\$ 417,614</b>	<b>\$ 132,228</b>	<b>\$ 394,782</b>	<b>\$ 278,726</b>	<b>\$ 373,378</b>	<b>\$ 725,830</b>	<b>\$ 765,308</b>	<b>\$ 1,668,550</b>	<b>\$ 4,756,416</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts Payable	\$ 352,187	\$ 111,512	\$ 332,932	\$ 235,058	\$ 314,882	\$ 612,115	\$ 645,408	\$ 1,407,142	\$ 4,011,236
State Equalization Payable	49,823	15,775	47,099	33,253	44,545	86,594	91,304	199,063	567,456
Total Liabilities	402,010	127,287	380,031	268,311	359,427	698,709	736,712	1,606,205	4,578,692
<b>FUND BALANCE</b>									
Nonspendable	28	9	27	19	26	50	52	114	325
Restricted									
Special Education Reserve	4,390	1,390	4,150	2,930	3,925	7,630	8,045	17,540	50,000
TABOR	-	-	-	-	-	-	-	-	-
Unassigned	11,186	3,542	10,574	7,466	10,000	19,441	20,499	44,691	127,399
Total Fund Balance	15,604	4,941	14,751	10,415	13,951	27,121	28,596	62,345	177,724
<b>Total Liabilities and Fund Balances</b>	<b>\$ 417,614</b>	<b>\$ 132,228</b>	<b>\$ 394,782</b>	<b>\$ 278,726</b>	<b>\$ 373,378</b>	<b>\$ 725,830</b>	<b>\$ 765,308</b>	<b>\$ 1,668,550</b>	<b>\$ 4,756,416</b>

**COLORADO EDUCATION SOLUTIONS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GENERAL FUND BY LOCATION  
YEAR ENDED JUNE 30, 2022**

	Colorado Virtual Academy Elementary School	Colorado Virtual Academy Middle School	Colorado Virtual Academy High School	Colorado Online Middle School	Colorado Online High School	Astravo Online Academy Elementary School	Astravo Online Academy Middle School	Astravo Onlnie Academy High School	Total
<b>REVENUES</b>									
State Revenues	\$ 3,293,737	\$ 1,038,127	\$ 3,099,445	\$ 2,188,283	\$ 2,931,403	\$ 5,724,644	\$ 6,008,442	\$ 13,099,825	\$ 37,383,906
Federal Revenues	312,517	37,500	111,959	79,046	105,890	543,056	217,039	473,197	1,880,204
Other Revenues	1,020	323	964	681	912	1,774	1,869	4,076	11,619
Total Revenues	<u>3,607,274</u>	<u>1,075,950</u>	<u>3,212,368</u>	<u>2,268,010</u>	<u>3,038,205</u>	<u>6,269,474</u>	<u>6,227,350</u>	<u>13,577,098</u>	<u>39,275,729</u>
<b>EXPENDITURES</b>									
Instruction	2,814,933	830,816	2,480,492	1,751,289	2,346,009	4,892,362	4,808,571	10,483,823	30,408,295
Support Services									
Student Services	490,868	155,423	464,033	327,618	438,874	853,150	899,553	1,961,238	5,590,757
General Administrative	143,350	39,645	118,364	83,568	111,947	249,138	229,455	500,268	1,475,735
School Administrative	120,874	38,272	114,266	80,674	108,071	210,084	221,510	482,944	1,376,695
Business Services	7,629	2,416	7,212	5,092	6,821	13,259	13,980	30,479	86,888
Operations and Maintenance of Plant	22,121	7,004	20,912	14,764	19,778	38,447	40,538	88,383	251,947
Central Support Services	7,499	2,374	7,089	5,005	6,705	13,034	13,743	29,963	85,412
Total Expenditures	<u>3,607,274</u>	<u>1,075,950</u>	<u>3,212,368</u>	<u>2,268,010</u>	<u>3,038,205</u>	<u>6,269,474</u>	<u>6,227,350</u>	<u>13,577,098</u>	<u>39,275,729</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-	-	-	-	-	-
Fund Balance Beginning of Year	15,604	4,941	14,751	10,415	13,951	27,121	28,596	62,345	177,724
Fund Balances - End of Year	<u>\$ 15,604</u>	<u>\$ 4,941</u>	<u>\$ 14,751</u>	<u>\$ 10,415</u>	<u>\$ 13,951</u>	<u>\$ 27,121</u>	<u>\$ 28,596</u>	<u>\$ 62,345</u>	<u>\$ 177,724</u>



**INDEPENDENT AUDITORS' 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***

Board of Directors  
Colorado Education Solutions  
Lakewood, Colorado

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 the major fund of Colorado Education Solutions (CES), a discretely presented component unit of Byers School District 32J, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the CES' basic financial statements, and have issued our report thereon dated November 29, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered CES' 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 CES' internal control. Accordingly, we do not express an opinion on the effectiveness of CES' internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether CES' 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*.

***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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 29, 2022



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