

THE CLASSICAL ACADEMY

FINANCIAL STATEMENTS

June 30, 2010

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Board of Directors
The Classical Academy
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Classical Academy, component unit of the Academy School District Twenty, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of The Classical Academy, as listed in the table of contents. These financial statements are the responsibility of The Classical Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Classical Academy as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Classical Academy's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

November 9, 2010

Management's Discussion and Analysis

As management of The Classical Academy (TCA), we offer readers of the basic financial statements this narrative and analysis of the financial activities of The Classical Academy for the year ended June 30, 2010.

Financial Highlights

The year ending June 30, 2010 was the thirteenth year of operations for TCA. The general fund balance decreased from \$1,676,520 to \$1,372,141 in the year ending June 30, 2010. This was under the budgeted amount by \$200,987. (See page 17 of the independent auditors' report.)

The operations of TCA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$18,457,764. The Academy operated within its General Fund budget during the fiscal year. A budget for each fund was approved for the fiscal year. A revised budget was approved in the second half of the fiscal year.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how TCA's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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).

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. TCA keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

TCA adopts an annual budget for its General Fund. A budgetary comparison (page 17) has been provided for the General Fund to demonstrate compliance with this budget. An additional budget for the Fundraising Fund was also adopted and the statement is included. (Page 19)

The Building Corporation Fund is considered a proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Notes to 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 assets may serve over time as a useful indicator of TCA's financial position (see page 1). For the year ending June 30, 2010, TCA's assets exceeded liabilities by \$5,308,808. Approximately \$590,600 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$6,537,934 of these funds is restricted either for capital projects or as reserves required as security for the bonds issued to finance the buildings. Accordingly, these funds are not available to satisfy general operating expenses. In addition, (\$4,486,165) of these funds represent investments in capital assets (net of depreciation) and the long-term liabilities related to capital assets. The remaining \$2,666,224 is unrestricted and available to meet ongoing financial obligations.

Government Wide Summary and Comparison

Net Assets

	<u>2009-10</u>	<u>2008-09</u>
Assets		
Current and Other Assets	\$ 12,828,358	\$ 16,283,827
Capital Assets	<u>40,418,476</u>	<u>39,033,221</u>
Total Assets	<u>53,246,834</u>	<u>55,317,048</u>
Liabilities		
Current and Other Liabilities	2,212,163	4,687,141
Noncurrent Liabilities	<u>45,725,863</u>	<u>46,704,146</u>
Total Liabilities	<u>47,938,026</u>	<u>51,391,287</u>
Net Assets		
Invested in Capital Assets		
Net of related debt	(4,486,165)	(4,322,066)
Restricted for Debt Service	6,289,467	4,840,297
Restricted for Emergencies	590,600	551,500
Restricted for Repair & Replacement	248,682	211,182
Unrestricted	<u>2,666,224</u>	<u>2,644,848</u>
Total Net Assets	<u>5,308,808</u>	<u>3,925,761</u>

Government Wide Summary and Comparison

Change in Net Assets

	<u>2009-10</u>	<u>2008-09</u>
Revenues		
Program Revenues		
Charges for Services	\$ 689,715	\$ 674,415
Operating Grants	424,495	370,482
Capital Grants	<u>1,320,835</u>	<u>0</u>
Total Program	2,435,045	1,044,897
General Revenues		
Per Pupil Revenue	\$18,457,764	\$17,026,875
Mill Levy Override	1,096,017	742,017
Capital Construction	271,422	282,425
Grants & Donations	1,158,105	1,335,914
Investment Earnings	87,450	131,233
Other	<u>68,159</u>	<u>56,636</u>
Total General	<u>21,138,917</u>	<u>19,575,100</u>
 Total Revenues	 23,573,962	 20,619,997
 Expenses		
Instruction	12,017,978	11,255,439
Support Services	5,952,210	5,951,220
Debt Service	<u>4,220,727</u>	<u>3,042,325</u>
Total Expenses	22,190,915	20,248,984
 Change in Net Assets	 1,383,047	 371,013
 Net Assets, Beginning	 <u>3,925,761</u>	 <u>3,554,748</u>
 Net Assets, Ending	 <u>5,308,808</u>	 <u>3,925,761</u>

Financial Analysis of the Academy's Funds

Governmental Funds. The focus of TCA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing TCA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of TCA's net resources available for spending at the end of the fiscal year. (page 3)

The General Fund is the major operating fund of the Academy. For the current fiscal year the fund balance decreased by \$304,379 to \$1,372,141. (Page 4) The decrease was largely due to unforeseen facility and legal expenses.

The Fundraising Fund is used for a number of student activities, including athletics, food service, clubs, fundraising, PTOs, etc. The fund balance increased by \$290,957 during the year primarily due to a spring fundraising campaign, the proceeds of which will be spent in subsequent periods. (Page 4)

As of the end of the current fiscal year the Academy's governmental funds in the aggregate reported a combined ending fund balance of \$3,139,682, an decrease of \$13,422 from the previous year. (Page 4)

Proprietary Fund. The Building Corporation is treated as a proprietary fund and is used for capital assets such as land, buildings, improvements, etc. Transfers from the General Fund in the form of lease payments are made to the Building Corporation Fund. Bond debt service also flows through this Fund. The net assets increased \$76,332 during the year. Rental transfers amounted to \$4,117,237, while debt service expenses amounted to \$2,904,717. (Page 6) In addition there were principal payments of \$1,055,524. (Page 7)

General Fund Budgetary Highlights

The Academy originally budgeted for expenditures of \$21,104,500 for the year ended June 30, 2010. The budget was amended during the year to increase expected expenditures to \$21,901,246. Actual expenditures were \$21,214,376. All expense figures are given including transfers for lease payments. (Page 17)

Variances in the general fund were mainly in payroll and spread across departments and programs and was not substantial for any individual program.

Capital Asset and Debt Administration

Capital assets. The Academy's investment in capital assets as of June 30, 2010, amounts to \$40,418,476 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and construction in progress. Capital assets

for both business-type activities and governmental activities are in this total and are detailed in Note 3 to the financial statements.

Long-term debt. As of June 30, 2010 the Corporation had outstanding debt of \$46,792,792 (including the current and noncurrent portions of the Lease Payable). (Page 5) This debt is the result of bonds issued in 2000 and additional bonds issued in 2003 and 2008. The 2000 bond issued was defeased using proceeds from the 2003 bond issue. The 2003 and 2008 bond issues are collateralized by land and buildings. The 2008 bond issue was used to finance the new East Campus construction project. In addition, the Academy has a \$200,000 line of credit to fund additional construction, of which principal and accrued interest were due and paid in full on November 30, 2009. Long-term debt is detailed in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Academy is student enrollment. Enrollment for 2009-10 school year was 2,755.5 full time equivalent (FTE) students. The enrollment projected for the 2010-11 school year is expected to be approximately 2,901.5 FTE students. This factor was considered in preparing the Academy's budget for 2010-11 fiscal year.

Requests for Information

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

Mark VanGambleare
Chief Financial Officer

The Classical Academy
975 Stout Road
Colorado Springs, Colorado 80921
(719) 488-6291

BASIC FINANCIAL STATEMENTS

THE CLASSICAL ACADEMY

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 3,931,944	\$ 457,557	\$ 4,389,501
Restricted Cash and Investments	-	5,610,955	5,610,955
Accounts Receivable	33,000	-	33,000
Grants Receivable	1,320,835	-	1,320,835
Accrued Interest Receivable	-	13,897	13,897
Prepaid Expenses	1,000	-	1,000
Debt Issuance Costs, Net of Accumulated Amortization	-	1,459,170	1,459,170
Capital Assets, Not Being Depreciated	-	4,552,789	4,552,789
Capital Assets, Net of Accumulated Depreciation	<u>16,759</u>	<u>35,848,928</u>	<u>35,865,687</u>
TOTAL ASSETS	<u>5,303,538</u>	<u>47,943,296</u>	<u>53,246,834</u>
LIABILITIES			
Accounts Payable	55,958	-	55,958
Accrued Salaries and Benefits	770,304	-	770,304
Accrued Interest Payable	-	227,239	227,239
Noncurrent Liabilities			
Due Within One Year	-	1,158,662	1,158,662
Due in More Than One Year	<u>91,733</u>	<u>45,634,130</u>	<u>45,725,863</u>
TOTAL LIABILITIES	<u>917,995</u>	<u>47,020,031</u>	<u>47,938,026</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	16,759	(4,502,924)	(4,486,165)
Restricted for Debt Service	1,320,835	4,968,632	6,289,467
Restricted for Repair and Replacement	-	248,682	248,682
Restricted for Emergencies	590,600	-	590,600
Unrestricted	<u>2,457,349</u>	<u>208,875</u>	<u>2,666,224</u>
TOTAL NET ASSETS	<u>\$ 4,385,543</u>	<u>\$ 923,265</u>	<u>\$ 5,308,808</u>

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

THE CLASSICAL ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 12,017,978	\$ 628,715	\$ 424,495	\$ -
Supporting Services	5,952,210	61,000	-	1,320,835
Total Governmental Activities	17,970,188	689,715	424,495	1,320,835
Business-Type Activities				
Building Corporation	4,220,727	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 22,190,915	\$ 689,715	\$ 424,495	\$ 1,320,835

GENERAL REVENUES

Per Pupil Revenue
 Mill Levy Override
 Capital Construction
 Grants and Contributions Not
 Restricted to Specific Programs
 Investment Income
 Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (10,964,768)	\$ -	\$ (10,964,768)
<u>(4,570,375)</u>	<u>-</u>	<u>(4,570,375)</u>
(15,535,143)	-	(15,535,143)
-	(4,220,727)	(4,220,727)
<u>(15,535,143)</u>	<u>(4,220,727)</u>	<u>(19,755,870)</u>
18,457,764	-	18,457,764
1,096,017	-	1,096,017
271,422	-	271,422
1,158,105	-	1,158,105
37,241	50,209	87,450
63,659	4,500	68,159
<u>(4,242,350)</u>	<u>4,242,350</u>	<u>-</u>
<u>16,841,858</u>	<u>4,297,059</u>	<u>21,138,917</u>
1,306,715	76,332	1,383,047
<u>3,078,828</u>	<u>846,933</u>	<u>3,925,761</u>
<u>\$ 4,385,543</u>	<u>\$ 923,265</u>	<u>\$ 5,308,808</u>

THE CLASSICAL ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	GENERAL	FUNDRAISING	TOTAL
ASSETS			
Cash and Investments	\$ 2,191,970	\$ 1,739,974	\$ 3,931,944
Accounts Receivable	-	33,000	33,000
Grants Receivable	1,320,835	-	1,320,835
Prepaid Items	-	1,000	1,000
TOTAL ASSETS	\$ 3,512,805	\$ 1,773,974	\$ 5,286,779
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 49,525	\$ 6,433	\$ 55,958
Accrued Salaries and Benefits	770,304	-	770,304
Deferred Revenue	1,320,835	-	1,320,835
TOTAL LIABILITIES	2,140,664	6,433	2,147,097
FUND BALANCES			
Reserved for Prepaid Items	-	1,000	1,000
Reserved for Emergencies	590,600	-	590,600
Unreserved, Reported In			
General Fund	781,541	-	781,541
Special Revenue Fund	-	1,766,541	1,766,541
TOTAL FUND BALANCES	1,372,141	1,767,541	3,139,682
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,512,805	\$ 1,773,974	\$ 5,286,779

Amounts Reported in the Statement of Net Assets are Different Because:

Total Fund Balances of Governmental Funds	\$ 3,139,682
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,759
Compensated absences payable are not due and payable in the current year and, therefore, are not reported in the funds.	(91,733)
Certain long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	1,320,835
Total Net Assets of Governmental Activities	\$ 4,385,543

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

THE CLASSICAL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	<u>GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 20,152,821	\$ 1,288,421	\$ 21,441,242
State Sources	457,772	-	457,772
Federal Sources	299,404	-	299,404
	<u>20,909,997</u>	<u>1,288,421</u>	<u>22,198,418</u>
TOTAL REVENUES			
EXPENDITURES			
Instruction	11,418,430	598,850	12,017,280
Supporting Services	5,678,709	398,614	6,077,323
Building Lease	4,117,237	-	4,117,237
	<u>21,214,376</u>	<u>997,464</u>	<u>22,211,840</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(304,379)	290,957	(13,422)
FUND BALANCES, Beginning	<u>1,676,520</u>	<u>1,476,584</u>	<u>3,153,104</u>
FUND BALANCES, Ending	<u>\$ 1,372,141</u>	<u>\$ 1,767,541</u>	<u>\$ 3,139,682</u>

Amounts Reported in the Statement of Activities are Different Because:

Net Change in Fund Balances	\$ (13,422)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(4,337)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences..	3,639
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements.	<u>1,320,835</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,306,715</u>

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

THE CLASSICAL ACADEMY

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2010

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 457,557
Restricted Cash and Investments	5,610,955
Accrued Interest Receivable	<u>13,897</u>
TOTAL CURRENT ASSETS	<u>6,082,409</u>
NONCURRENT ASSETS	
Debt Issuance Costs, Net of Accumulated Amortization	1,459,170
Capital Assets, Not Being Depreciated	4,552,789
Capital Assets, Net of Accumulated Depreciation	<u>35,848,928</u>
TOTAL NONCURRENT ASSETS	<u>41,860,887</u>
TOTAL ASSETS	<u>47,943,296</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	227,239
Loans Payable, Current Portion	<u>1,158,662</u>
TOTAL CURRENT LIABILITIES	1,385,901
NONCURRENT LIABILITIES	
Loans Payable	<u>45,634,130</u>
TOTAL LIABILITIES	<u>47,020,031</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(4,502,924)
Restricted for Debt Service	4,968,632
Restricted for Repair and Replacement	248,682
Unrestricted	<u>208,875</u>
TOTAL NET ASSETS	<u>\$ 923,265</u>

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

THE CLASSICAL ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET ASSETS
PROPRIETARY FUND
 Year Ended June 30, 2010

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ <u>4,117,237</u>
 TOTAL OPERATING REVENUES	 <u>4,117,237</u>
OPERATING EXPENSES	
Depreciation	1,227,145
Amortization of Issuance Costs	60,319
Miscellaneous	28,546
Debt Service	
Interest	2,835,863
Fees	<u>68,854</u>
 TOTAL OPERATING EXPENSES	 <u>4,220,727</u>
 NET OPERATING LOSS	 <u>(103,490)</u>
NONOPERATING REVENUES	
Investment Income	50,209
Miscellaneous	<u>4,500</u>
 TOTAL NONOPERATING REVENUES	 <u>54,709</u>
 NET LOSS BEFORE CAPITAL CONTRIBUTIONS	 (48,781)
 Capital Contributions	 <u>125,113</u>
 CHANGE IN NET ASSETS	 76,332
NET ASSETS, Beginning	<u>846,933</u>
NET ASSETS, Ending	\$ <u><u>923,265</u></u>

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

THE CLASSICAL ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2010

Increase (Decrease) in Cash and Cash Equivalents

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received from Other Funds	\$ 4,117,237
Cash Paid to Suppliers	(17,046)
Loan Interest and Fees Paid	(2,481,010)
Loan Principal Paid	<u>(1,055,524)</u>
Net Cash Provided by Operating Activities	<u>563,657</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments on Line of Credit	(100,000)
Miscellaneous Receipts	<u>4,500</u>
Net Cash Used by Noncapital Financing Activities	<u>(95,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(4,470,276)
Loan Interest Paid and Capitalized	(372,252)
Investment Income Received and Capitalized	<u>928</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,841,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>52,812</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,320,631)
CASH AND CASH EQUIVALENTS, Beginning	<u>10,389,143</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 6,068,512</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Loss	\$ (103,490)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	1,227,145
Amortization of Issuance Costs	60,319
Amortization of Discount	1,696
Amortization of Loss on Refunding	194,772
Changes in Assets and Liabilities	
Accounts Receivable	11,500
Accrued Interest Payable	227,239
Loans Payable	<u>(1,055,524)</u>
Net Cash Provided by Operating Activities	<u>\$ 563,657</u>
NONCASH CAPITAL ACTIVITIES	
Capital Assets Contributed by Other Funds	<u>\$ 125,113</u>

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

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Classical Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Academy School District Twenty in the State of Colorado. The Academy began operations in 1996.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

The Academy includes the TCA Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was organized exclusively for educational purposes, including without limitation holding title to real and/or personal property for, and to make the same available for use for educational purposes including use by nonprofit or governmental primary or secondary schools, which may include, without limitation, the Academy. The Building Corporation is blended into the Academy’s financial statements as an enterprise fund. Separate audited financial statements for the Building Corporation are not available.

The Academy is a component unit of the Academy School District Twenty (the “District”). The District granted the Academy’s charter and the majority of the Academy’s funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental funds and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Academy has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Academy reports the following major funds:

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

Building Corporation - This fund is used to account for the financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

In addition, the Academy reports one nonmajor governmental fund:

Fundraising Fund - This fund is used to account for revenues from contributions, grants and student activities used to support certain Academy activities.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets/Fund Balances

Cash and Investments - Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

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

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net assets in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method:

Equipment	5 years
Buildings and Improvements	30 years

Interest incurred during construction is included in the capitalized value of the capital assets in the proprietary fund.

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine months. The accrued salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Long-Term Debt - In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Issuance costs are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences - The Academy's policy allows certain classes of employees to accumulate vacation and staff leave. Accumulated leave is paid upon termination of employment if the employee has accrued a minimum number of days.

These compensated absences are recognized as current expenditures when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

Net Assets/Fund Balances - In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2010, consisted of the following.

Petty Cash	\$ 1,400
Deposits	3,533,571
Investments	<u>6,465,485</u>
Total	<u>\$ 10,000,456</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. The State regulatory commissioners regulate the eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2010, the School had bank deposits of \$134,893 collateralized with securities held by the financial institutions' agents but not in the School's name.

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. 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

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2010, the Academy had the following investments:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>		<u>Fair Value</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	
Money Market Fund	AAAm	\$ 3,451,486	\$ -	\$ 3,451,486
Money Market Fund	Not Rated	845,076	-	845,076
FHLMC	AAA	-	317,203	317,203
FHLB	AAA	-	1,551,720	1,551,720
FFCB	AAA	-	300,000	300,000
Total		<u>\$ 4,296,562</u>	<u>\$ 2,168,923</u>	<u>\$ 6,465,485</u>

Interest Rate Risk - State statutes limit the maturity date of U.S. Agency securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organizations ("NRSRO"). State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more NRSROs.

Custodial Credit Risk - At June 30, 2010, the Academy's investments in U.S. Agency securities were held by the counterparty (broker) but not in the Academy's name.

Concentration of Credit Risk - State statutes generally do not limit the amount the Academy may invest in one issuer. At June 30, 2010, the Academy's investment in the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation were 24% and 5%, respectively, of total investments.

Restricted Cash and Investments

Cash and investments of \$5,610,955 have been restricted by the Building Corporation for capital outlay, debt service, and building repairs.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2010, are summarized below.

	<u>Balances 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/10</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 40,612	\$ -	\$ -	\$ 40,612
Less Accumulated Depreciation				
Equipment	<u>(19,516)</u>	<u>(4,337)</u>	<u>-</u>	<u>(23,853)</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,096</u>	<u>\$ (4,337)</u>	<u>\$ -</u>	<u>\$ 16,759</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 4,552,789	\$ -	\$ -	\$ 4,552,789
Construction In Progress	<u>10,071,649</u>	<u>-</u>	<u>10,071,649</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>14,624,438</u>	<u>-</u>	<u>10,071,649</u>	<u>4,552,789</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	30,415,087	12,688,386	-	43,103,473
Less Accumulated Depreciation				
Buildings and Improvements	<u>(6,027,400)</u>	<u>(1,227,145)</u>	<u>-</u>	<u>(7,254,545)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,387,687</u>	<u>11,461,241</u>	<u>-</u>	<u>35,848,928</u>
Business-Type Activities Capital Assets, Net	<u>\$ 39,012,125</u>	<u>\$ 11,461,241</u>	<u>\$ 10,071,649</u>	<u>\$ 40,401,717</u>

Depreciation expense of the governmental activities has been charged to the instruction program of the Academy.

NOTE 4: SHORT-TERM DEBT

The Building Corporation had a line of credit with a bank to provide cash flow for capital projects. Interest accrued at the 30-day LIBOR rate plus 2.59%. Principal and accrued interest were due and paid in full on November 30, 2009.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2010:

	<u>Balances 6/30/09</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances 6/30/10</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	<u>\$ 95,372</u>	<u>\$ 74,903</u>	<u>\$ 78,542</u>	<u>\$ 91,733</u>	<u>\$ -</u>
Business-Type Activities					
Building Loans	\$ 50,685,000	\$ -	\$ 920,000	\$ 49,765,000	\$ 1,020,000
Discount	(49,900)	-	(1,696)	(48,204)	-
Loss on Refunding	(4,690,581)	-	(194,772)	(4,495,809)	-
Note Payable	<u>1,707,329</u>	<u>-</u>	<u>135,524</u>	<u>1,571,805</u>	<u>138,662</u>
Total	<u>\$ 47,651,848</u>	<u>\$ -</u>	<u>\$ 859,056</u>	<u>\$ 46,792,792</u>	<u>\$ 1,158,662</u>

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 5: LONG-TERM DEBT (Continued)

Compensated Absences

Compensated absences are expected to be liquidated with revenues of the General Fund.

Building Loans

In October 2008, the Colorado Educational and Cultural Facilities Authority (“CECFA”) issued \$12,825,000 Charter School Revenue Bonds (The Classical Academy Project), Series 2008A, and \$1,200,000 Charter School Revenue Bonds (The Classical Academy Project), Series 2008B. Proceeds of the Bonds were loaned to the Building Corporation to finance the construction of educational facilities for use by the Academy and Pikes Peak Community College. Pikes Peak Community College is obligated under a lease agreement to make monthly rental payments of \$7,083 to the Academy from September 1, 2009, through June 30, 2039, with optional monthly payments of \$3,542 thereafter, through June 30, 2048, and to reimburse the Academy for utilities, janitorial and maintenance costs. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the trustee, for payment of the Bonds. Annual principal payments and semi-annual interest payments, with interest accruing at rates ranging from 6.75% to 8%, are required under the Bond indenture. The Bonds mature on December 1, 2038.

In October 2003, CECFA issued \$39,595,000 Charter School Refunding and Improvement Revenue Bonds (The Classical Academy Project), Series 2003. Proceeds of the Bonds were used to refund the CECFA Charter School Revenue Bonds, Series 2000. Additional proceeds of \$12,500,000 were loaned to the Building Corporation under a loan agreement to construct educational facilities. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is required to make equal loan payments to the trustee, for payment of the Bonds. Annual principal payments and semi-annual interest payments, with interest accruing at rates ranging from 2.5% to 4.5%, are required under the Bond indenture. The Bonds mature on December 1, 2033.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,020,000	\$ 2,708,784	\$ 3,728,784
2012	1,055,000	2,670,221	3,725,221
2013	1,090,000	2,627,421	3,717,421
2014	1,140,000	2,581,009	3,721,009
2015	1,190,000	2,530,409	3,720,409
2016 - 2020	6,795,000	11,758,827	18,553,827
2021 - 2025	8,780,000	9,707,223	18,487,223
2026 - 2030	11,465,000	6,941,350	18,406,350
2031 - 2035	12,425,000	3,378,526	15,803,526
2036 - 2039	4,805,000	871,085	5,676,085
Total	<u>\$ 49,765,000</u>	<u>\$ 45,774,855</u>	<u>\$ 95,539,855</u>

Note Payable

The Academy entered into an agreement with the District to purchase an existing District school facility for \$1,900,000. The Academy paid \$400,000 to the District in January, 2004, and entered into a loan agreement for the remainder of the purchase price. Interest accrues on the note at 2.5% per annum. Monthly principal and interest payments, including compounded interest of \$207,329, are required beginning September 1, 2009, through November 1, 2019.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 5: LONG-TERM DEBT (Continued)

Note Payable (Continued)

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 138,662	\$ 34,582	\$ 173,244
2012	154,932	34,061	188,993
2013	158,850	30,143	188,993
2014	162,867	26,126	188,993
2015	166,985	22,008	188,993
2016 - 2020	<u>789,509</u>	<u>45,211</u>	<u>834,720</u>
Total	<u>\$ 1,571,805</u>	<u>\$ 192,131</u>	<u>\$ 1,763,936</u>

Defeased Debt

CECFA bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 2000 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The outstanding balance of the defeased bonds at June 30, 2010, was \$17,620,000.

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description - The Academy contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - Plan members and the Academy are required to contribute at a rate set by statute. The contribution requirements of Plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8%. The Academy's contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% of covered payroll, respectively. A portion of the Academy's contribution (1.02% of covered payroll) is allocated to the Health Care Trust Fund (See Note 7). The Academy's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$1,384,078, \$1,182,429 and \$1,073,122, respectively, equal to the required contributions for each year.

THE CLASSICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The Academy was required to contribute at a rate of 1.02% of covered payroll for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Academy's contributions to HCTF for the years ended June 30, 2010, 2009 and 2008 were \$104,715, \$96,455 and \$94,132, respectively, equal to the required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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 government. The Amendment is complex and subject to judicial interpretation. The Academy believes it is in compliance with the requirements of the Amendment. The Amendment requires the Academy to establish a reserve for emergencies. At June 30, 2010, the Academy's reserve, of \$590,600, was reported as a reservation of fund balance in the General Fund.

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. At June 30, 2010, significant amounts of grant expenditures have not been audited but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

REQUIRED SUPPLEMENTARY INFORMATION

THE CLASSICAL ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 18,945,859	\$ 18,945,859	\$ 18,457,764	\$ (488,095)
Mill Levy Override	1,545,341	1,545,341	1,096,017	(449,324)
Grants	-	-	450,000	450,000
Rental Income	60,000	60,000	61,000	1,000
Investment Income	33,500	33,450	24,381	(9,069)
Miscellaneous	95,000	95,000	63,659	(31,341)
State Sources				
Special Education	-	-	183,586	183,586
English Language Proficiency Act	-	-	2,764	2,764
Capital Construction	260,000	260,000	271,422	11,422
Federal Sources				
Impact Aid	57,000	57,000	61,259	4,259
Special Education	399,300	399,250	238,145	(161,105)
 TOTAL REVENUES	 21,396,000	 21,395,900	 20,909,997	 (485,903)
EXPENDITURES				
Instruction and Supporting Services	21,104,500	21,901,246	21,214,376	686,870
 NET CHANGE IN FUND BALANCE	 291,500	 (505,346)	 (304,379)	 200,967
FUND BALANCE, Beginning	1,523,600	1,676,500	1,676,520	20
FUND BALANCE, Ending	\$ 1,815,100	\$ 1,171,154	\$ 1,372,141	\$ 200,987

See the accompanying Independent Auditors' Report.

THE CLASSICAL ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds of the Academy on a basis consistent with generally accepted accounting principles.

A proposed budget is submitted to the Board of Directors for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors. All annual appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

THE CLASSICAL ACADEMY

BUDGETARY COMPARISON SCHEDULE

FUNDRAISING FUND

Year Ended June 30, 2010

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Student Fees and Activities	\$ 539,900	\$ 539,900	\$ 628,715	\$ 88,815
Contributions and Donations	812,400	812,400	646,846	(165,554)
Investment Income	38,900	38,900	12,860	(26,040)
TOTAL REVENUES	<u>1,391,200</u>	<u>1,391,200</u>	<u>1,288,421</u>	<u>(102,779)</u>
EXPENDITURES				
Instruction	980,000	1,080,000	598,850	481,150
Supporting Services	105,000	105,000	398,614	(293,614)
TOTAL EXPENDITURES	<u>1,085,000</u>	<u>1,185,000</u>	<u>997,464</u>	<u>187,536</u>
EXCESS OF REVENUES OVER EXPENDITURES	306,200	206,200	290,957	84,757
OTHER FINANCING SOURCES (USES)				
Transfers Out	(140,000)	(140,000)	-	140,000
NET CHANGE IN FUND BALANCE	166,200	66,200	290,957	224,757
FUND BALANCE, Beginning	<u>1,332,500</u>	<u>1,332,500</u>	<u>1,476,584</u>	<u>144,084</u>
FUND BALANCE, Ending	\$ <u><u>1,498,700</u></u>	\$ <u><u>1,398,700</u></u>	\$ <u><u>1,767,541</u></u>	\$ <u><u>368,841</u></u>

See the accompanying Independent Auditors' Report.