

ENVISION LEADERSHIP PREP
BASIC FINANCIAL STATEMENTS

June 30, 2010

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FINANCIAL SECTION



**JOHN CUTLER
& ASSOCIATES**

Board of Directors
Envision Leadership Prep
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Envision Leadership Prep, component unit of the Denver Public School District, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of Envision Leadership Prep, as listed in the table of contents. These financial statements are the responsibility of Envision Leadership Prep'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 and each major fund of Envision Leadership Prep, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

John Cutler & Associates, LLC

September 14, 2010

Management's Discussion and Analysis

As management of Envision Leadership Prep (ELP), we offer readers of Envision Leadership Prep's financial statements our narrative overview and analysis of the financial activities of ELP for the fiscal year ended June 30, 2010, the first year of operations as a school.

Financial Highlights

The assets of Envision Leadership Prep exceeded its liabilities at the close of the most recent fiscal year by \$914,424 (net assets).

At the close of the fiscal year Envision Leadership Prep's governmental funds reported a combined ending fund balance of \$914,424, an increase of \$411,924 all of which was in General Fund.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Envision Leadership Prep supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of Envision Leadership Prep include instruction and supporting services.

The government-wide financial statements can be found on pages 1-2 of this report.

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. Envision Leadership Prep, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Envision Leadership Prep are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Envision Leadership Prep maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, because both are considered to be major funds.

Envision Leadership Prep adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-12.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of Envision Leadership Prep, assets exceeded liabilities by \$411,924 in FY 2009/2010, the close of the most recent fiscal year.

Envision Leadership Prep's Net Assets Governmental Activities

ASSETS	<u>June 30, 2010</u>
Cash and investment	\$ 544,710
Cash Held by the District	37,200
Accounts Receivable	223,139
Prepaid Expenses	210,322

Total Assets	1,015,371
LIABILITIES	
Accounts Payable	14,996
Accrued Salaries and Benefits	65,539
Deferred Revenue	20,412

Total Liabilities	100,947
NET ASSETS	
Reserved for Prepaid Expenses	210,322
Restricted for Emergencies	73,000
Unrestricted	631,102

TOTAL NET ASSETS	\$ 914,424
	=====

The largest portion of Envision Leadership Prep's assets is in cash and investments @ 57% in 2010.

Envision Leadership Prep's Statement of Activities
 Governmental
 Activities

Year Ended
June 30, 2010

REVENUE	
Per Pupil Revenue	\$1,368,296
Mill Levy Override	17,120
Capital Construction	8,732
Operating Grants	1,682,631
Charges for Services	3,976
Investment Earnings	1,697
Other	1,179

Total Revenue	3,014,031
EXPENSES	
Instructional	1,293,334
Supporting Services	1,378,373

Total Expenses	2,602,107
Changes in Net Assets	411,924
Net Assets Beginning	502,500

Net Assets Ending	\$ 914,424
	=====

The largest portion of Envision Leadership Prep's revenues came from operating grants and per pupil revenue – 54% and 45%, respectively in 2010.

Financial Analysis of the Government's Funds

As noted earlier, Envision Leadership Prep uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$914,424, an increase of \$411,924.

General Fund Budgetary Highlights

The School approves a final budget in May based on enrollment projections for the following school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. On the revenue side, the school recognized approximately \$71,484 in additional revenues due to additional funds received from a local family foundation. Additionally, expenses remained \$45,561 under budget in an effort to remain compliant with Statute.

Capital assets & Long-Term Debt

Envision Leadership Prep has no investments in capital assets or long-term debt obligations.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Envision Leadership Prep is student enrollment. Enrollment for the 2009-2010 school year was 179 funded students. As of July 1, 2010, the ELP Board of Directors voted to combine efforts with another charter school, Denver Venture School. Collectively and under a new entity name, Venture Prep (VP), is projecting enrollment for the 2010-2011 school year at 420. Given the declining State economic conditions with per pupil funding, the increased student population will help solidify the operations for VP as it takes on its second school year.

Requests for Information

This financial report is designed to provide a general overview of Envision Leadership Prep's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school's Financial Director:

Lori Deacon
Venture Prep
fka Envision Leadership Prep
2540 Holly Street
Denver, CO 80207

BASIC FINANCIAL STATEMENTS

ENVISION LEADERSHIP PREP

STATEMENT OF NET ASSETS

As of June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 544,710
Cash Held by the District	37,200
Account Receivable	223,139
Prepaid Expenses	<u>210,322</u>
 TOTAL ASSETS	 <u>1,015,371</u>
LIABILITIES	
Accounts Payable	14,996
Accrued Salaries and Benefits	65,539
Deferred Revenue	<u>20,412</u>
 TOTAL LIABILITIES	 <u>100,947</u>
NET ASSETS	
Reserved for Prepaid Expenses	210,322
Restricted for Emergencies	73,000
Unrestricted	<u>631,102</u>
 TOTAL NET ASSETS	 <u>\$ 914,424</u>

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

ENVISION LEADERSHIP PREP

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
PRIMARY GOVERNMENT					
Governmental Activities					
Instructional	\$ 1,293,334	\$ 3,976	\$ 573,512	\$ -	\$ (715,846)
Supporting Services	1,378,373	-	1,109,119	8,732	(260,522)
Total Governmental Activities	<u>\$ 2,671,707</u>	<u>\$ 3,976</u>	<u>\$ 1,682,631</u>	<u>\$ 8,732</u>	(976,368)
		GENERAL REVENUES			
					1,368,296
					17,120
					1,697
					1,179
			TOTAL GENERAL REVENUES		<u>1,388,292</u>
			CHANGE IN NET ASSETS		411,924
			NET ASSETS, Beginning		<u>502,500</u>
			NET ASSETS, Ending		<u>\$ 914,424</u>

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

ENVISION LEADERSHIP PREP

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL FUND</u>
ASSETS	
Cash	\$ 544,710
Cash Held by District	37,200
Accounts Receivable	223,139
Prepaid Expenses	<u>210,322</u>
TOTAL ASSETS	<u>\$ 1,015,371</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 14,996
Accrued Salaries and Benefits	65,539
Deferred Revenue	<u>20,412</u>
TOTAL LIABILITIES	<u>100,947</u>
FUND BALANCES	
Reserved for Emergencies	73,000
Reserved for Prepaid Expenses	210,322
Unreserved, reported in General Fund	<u>631,102</u>
TOTAL FUND BALANCES	<u>914,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,015,371</u>

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

ENVISION LEADERSHIP PREP

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 2,510,119
State and Federal Sources	<u>573,512</u>
TOTAL REVENUES	<u>3,083,631</u>
EXPENDITURES	
Current	
Instruction	1,293,334
Supporting Services	<u>1,378,373</u>
TOTAL EXPENDITURES	<u>2,671,707</u>
NET CHANGE IN FUND BALANCES	411,924
FUND BALANCES, Beginning	<u>502,500</u>
FUND BALANCES, Ending	<u><u>\$ 914,424</u></u>

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

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Envision Leadership Prep (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado.

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

Reporting Entity

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

Based upon the application of these criteria, no additional organizations are includable in the School’s reporting entity. However, the School is a component unit of the Denver Public School 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 of the activities of the School. 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 the given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

ENVISION LEADERSHIP PREP

NOTES TO THE 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Fund Balance/Net Assets

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

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method. The School did not have any capital assets that were required to be capitalized and depreciated as of June 30, 2010.

Net Assets/Fund Equity – In the government-wide 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.

Compensated Absences

The School's policy allows employees to accumulate sick and vacation leave. However, any amounts accrued are not payable upon termination. Therefore, no liability for accumulated sick leave or vacation is reported in the financial statements.

Risk Management

The School 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 School carries commercial coverage for these risks of loss.

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2010, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2010, the School had deposits with financial institutions with a carrying amount of \$544,620. The bank balances with the financial institutions were \$900,221. Of these balances, \$250,000 was covered by federal depository insurance and \$650,221 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2010 the School's balance in equity in pooled cash of the District totaled \$37,200.

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

The School had no investments at June 30, 2010.

The School has no policy for managing credit risk or interest rate risk.

NOTE 4: 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2010, were \$65,539 in the General Fund.

NOTE 5: PENSION PLAN

Denver Public Schools Retirement System

Plan Description – The School contributes to the Denver Public Schools Retirement System (the “System”), a cost sharing multiple-employer defined benefit pension plan, to provide defined retirement, death and disability benefits to plan members and beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information.

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5: **PENSION PLANS** (Continued)

A copy of the report can be obtained at the System's office at 3700 E. Alameda Avenue, Suite 400, Denver, Colorado 80209-3172. The plan was established in 1945 through State statute.

Funding Policy – Employer contributions are based on the funding policy required by Plan provisions. The employer contribution rate is fixed at 2.9% of covered salary for the period from July 1, 2000 to June 30, 2010. Should unfunded actuarial accrued liabilities (UAAL) accumulate during this period, the employer contribution rate will increase each year by the amount required to amortize the UAAL over 30 years. The actuary of the System issues an annual report on January 1 of each year. The District adopts changes in the employer contribution rates for its fiscal year beginning 18 months after the date of the annual actuarial valuation report. The contribution rate for members during the fiscal years ending June 30, 2010 was 8% and for the School was 0.49%, of gross covered salary. During the fiscal year ended June 30, 2010, the School made contributions totaling \$2,051, to the Plan, equal to the required contribution for the year.

On January 1, 2010 the Denver Public Schools Retirement System became a division of the Public Employees Retirement Association of Colorado (“PERA”).

Defined Benefit Pension Plan

Plan Description. Beginning on January 1, 2010, the School contributes to the Denver Public Schools Retirement System Division of 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, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the School 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 online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the School it is 2.41 % of covered salary. If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. For the year ending June 30, 2010, the School's employer contributions for the SDTF was \$9,763, equal to the required contributions for the year.

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5: PENSION PLAN(Continued)

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UALL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education.

During the fiscal year ended June 30, 2010, the School made contributions totaling \$105,219 to the District towards its PCOPs obligation.

NOTE 6: RELATED PARTIES

The Chairman of the School's Board of Directors holds a management position with a major donor of the School. In addition, this donor directly pays the majority of the School's Chief Executive Officer's salary. This transaction was recorded as contribution revenue and corresponding salary expense in the financial statements.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Facility Use Agreement

In June 2009, the School entered into a one year facility use agreement with the District for their building. Under this agreement, the School is required to pay an annual use fee of \$177,988 in monthly installments. The agreement expired on June 30, 2010.

In June 2010, the School renewed its facility use agreement with the District. Under the terms of the new agreement, the School is required to pay an annual use fee of \$243,601, payable in monthly installments. The agreement expires on June 30, 2012.

Future minimum lease payments are as follows:

Year Ended

June 30

2011	\$ 243,601
2012	<u>243,601</u>
Total	<u>\$ 487,202</u>

ENVISION LEADERSHIP PREP

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE :7 **COMMITMENTS AND CONTINGENCIES** (Continued)

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2010, the reserve of \$73,000 was recorded as a reservation of fund balance in the General Fund. The District also holds \$37,200 in pooled cash on behalf of the School for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

ENVISION LEADERSHIP PREP

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2010

	ORIGINAL BUDGET	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,533,000	\$ 1,368,296	\$ 1,368,296	\$ -
Mill Levy Override	15,910	21,120	17,120	(4,000)
Tuition and Fees	-	-	3,976	3,976
Grants and Donations	1,621,151	1,048,462	1,117,851	69,389
Interest	-	1,600	1,697	97
Other	-	-	1,179	1,179
State and Federal Sources				
Grants and Donations	320,040	572,669	573,512	843
TOTAL REVENUES	<u>3,490,101</u>	<u>3,012,147</u>	<u>3,083,631</u>	<u>71,484</u>
EXPENDITURES				
Salaries	1,289,910	1,023,734	1,088,875	(65,141)
Employee Benefits	397,061	231,257	224,390	6,867
Purchased Services	1,061,824	804,525	801,968	2,557
Supplies and Materials	147,726	257,100	259,019	(1,919)
Property	250,250	285,252	283,765	1,487
Other	13,330	15,400	13,690	1,710
Contingency	330,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>3,490,101</u>	<u>2,717,268</u>	<u>2,671,707</u>	<u>45,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>294,879</u>	<u>411,924</u>	<u>117,045</u>
CHANGE IN FUND BALANCES	<u>-</u>	<u>294,879</u>	<u>411,924</u>	<u>117,045</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>502,500</u>	<u>502,500</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 294,879</u>	<u>\$ 914,424</u>	<u>\$ 619,545</u>

See the accompanying independent auditors' report.

COMPLIANCE



**JOHN CUTLER
& ASSOCIATES**

To the Board of Directors
Envision Leadership Prep
Denver, Colorado

**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***

We have audited the financial statements of Envision Leadership Prep as of and for the year ended June 30, 2010, and have issued our report thereon dated September 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

John Cutler & Associates, LLC

September 14, 2010



JOHN CUTLER & ASSOCIATES

To the Board of Directors
Envision Leadership Prep
Denver, Colorado

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-

Compliance

We have audited the Envision Leadership Prep's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for year ended June 30, 2010. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

John Luthr & Associates, LLC

September 14, 2010

ENVISSION LEADERSHIP PREP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes no

- Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes no

- Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes no

Identification of major program:

84.282 Charter Schools

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

_____ yes no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

ENVISION LEADERSHIP PREP

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

	<u>Major Program ?</u>	<u>CDFA #</u>	<u>TOTAL EXPENDITURES</u>
<u>Department of Education</u>			
Passed through the Denver Public School District			
Charter Schools	Yes	84.282	\$ 407,564
Title I	No	84.010	144,544
Title II	No	84.367	<u>12,671</u>
Total Federal Financial Assistance			<u><u>\$ 552,044</u></u>

NOTES

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

See the accompanying independent auditors' report.