



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Kwiyagat Community Academy

(An Agency of the Ute Mountain Ute Tribe)

Financial Statements
and
Independent Auditors' Reports

June 30, 2023

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)

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Independent Auditors' Report

Members of the School Board and Tribal Council
Kwiyagat Community Academy and Ute Mountain Ute Tribe

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Kwiyagat Community Academy (the "School"), an agency and governmental fund of the Ute Mountain Ute Tribe (the "Tribe"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund of the Tribe that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the Tribe as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
October 3, 2023

Management's Discussion and Analysis

Kwiyagat Community School
(An Agency of the Ute Mountain Ute Tribe)
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

This section of the financial report presents our discussion and analysis of Kwiyagat Community School’s (the “School”) financial performance during the year ended June 30, 2023. Please read it in conjunction with the School’s financial statements, which follows this section. The School’s charter and bylaws were adopted by the Tribal Council of the Ute Mountain Ute Tribe (the “Tribe”) in November 2020. The School began operations in 2021 and hired its first employee in the spring of 2021. The School opened to students in the fall of 2021 for its first school year consisting of grades K-1st. Second grade was added in fiscal year 2023 and 3rd grade was added in fiscal year 2024.

Overview of Financial Report

The School’s financial statements are comprised of two components: 1) *Management’s Discussion and Analysis* (this section) and 2) the *Basic Financial Statements*. The basic financial statements include two kinds of statements that present different views of the School.

The first two statements, the statement of net position and the statement of activities, are School-wide financial statements that provide both long-term and short-term information about the School’s overall financial status. Fund financial statements report the School’s operations in more detail than the School-wide financial statements by providing information about the School’s governmental fund.

Governmental fund financial statements show how the School’s services, such as education, facilities, food service, and administration, were financed in the short-term and what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail.

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the School as a whole. All of the School’s activities are reported as governmental activities including school administration, food services, education, and facilities. These activities are financed primarily through federal grants.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School’s net position and changes in them. You can think of the School’s net position, the difference between assets and liabilities, as one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the scope or size of operations, and other potential influences from the federal government, when considering the School’s financial health.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the School as a whole. Separate funds are established to help it control and manage revenues and expenditures for particular purposes or to show that it is meeting legal responsibilities for using certain grant money. Additionally, separate funds are maintained to guarantee against the possibility of commingling funds. All of the School’s basic services are reported in governmental funds. Governmental funds focus on how cash and other financial assets flow in and out, and the balances that are left at year-end available for future spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds financial statements, or on a subsequent page, that explains the relationship (or differences) between the amounts reported in the statement of net position and the statement of activities and the governmental funds financial statements.

School-Wide Financial Analysis

Net Position. The following table reflects the condensed Statement of Net Position as of June 30, 2023, with comparative totals as of June 30, 2022.

STATEMENTS OF NET POSITION		
As of June 30,		
	2023	2022
Assets		
Current and other assets	\$ 678,548	\$ 394,421
Capital assets, net	415,376	307,975
Total assets	1,093,924	702,396
Liabilities		
Current liabilities	558,108	349,314
Compensated absences	16,148	8,018
Total liabilities	574,256	357,332
Net position		
Investment in capital assets	415,376	307,975
Restricted	20,376	9,393
Unrestricted	83,916	27,696
Total net position	\$ 519,668	\$ 345,064

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Of the School's net position as of June 30, 2023, \$415,376 reflects the School's net investment in capital assets. The School uses these capital assets to provide services; consequently, these assets are not available for future spending. The School has \$15,576 of restricted net position as required by the TABOR amendment and \$4,800 is restricted for special education services. The remaining net position of \$83,916 is unrestricted.

Changes in Net Position. The following table summarizes the School's changes in net position during 2023 and 2022:

STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

	2023	2022
Revenues		
Program:		
Operating grants and contributions	\$ 581,380	\$ 511,816
Capital grants and contributions	145,446	313,812
General:		
Per pupil revenue	461,271	246,536
Total revenues	1,188,097	1,072,164
Expenses		
Administration	418,904	267,313
Education	510,668	417,632
Food service	45,810	27,235
Transportation	1,786	-
Facilities	36,325	16,850
Total expenses	1,013,493	729,030
Increase in net position	\$ 174,604	\$ 343,134

The School's net position increased by \$174,604 during the year ended June 30, 2023 and increased by \$343,134 during the year ended June 30, 2022. During fiscal year 2023, the increase in net position was mainly due to approximately \$146,000 of grant revenue being utilized on capital asset purchases. The capital assets were capitalized and will be depreciated over the life of the asset while the revenues were recognized in fiscal year 2023. Fiscal year 2022 was the School's first year with students, which resulted in a significant increase in both revenues and expenses to operate the School. Revenues and expenses increased in fiscal year 2023, mainly as a result of operating an additional grade (2nd) and the related costs of growing the School.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Financial Analysis of the School's Fund

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, fund balance may serve as a useful measure of a government's resources at the end of the fiscal year.

As of June 30, 2023 and 2022, the School's governmental fund reported ending fund balance of \$120,440 and \$45,107, respectively. The current year change was an increase of \$75,333 and the prior year change was an increase of \$43,177. This fund balance is unassigned and restricted as required by the TABOR amendment and for special education. Fiscal year 2022 was the School's first year with students (K-1st). Second grade was added in fiscal year 2023, which contributed to both revenues and expenses increasing compared to fiscal year 2022.

Capital Assets

The School's capital assets as of June 30, 2023 and 2022, amounted to \$415,376 and \$307,975, respectively, net of accumulated depreciation. Capital asset additions during 2023 mainly consisted of playground equipment, and a vehicle purchase. See the notes to the financial statements for more details about capital asset activity.

Long Term Liabilities

At June 30, 2023 and 2022, the School had total long-term liabilities outstanding of \$16,148 and \$8,018, respectively. This consisted of accrued compensated absences.

Economic Factors and Next Year's Activities

Grants from federal and state governments account for the majority of the revenues of the School. Management expects that those grants will remain fairly constant and, thus, the School will continue to depend heavily on those revenue sources. Fiscal year 2023 was the School's second year in full operation and consisted of three grades. School administration is looking forward to future school years and will be adding additional grades.

Requests for Information

This financial report is designed to provide a general overview of the School's finances and to provide accountability for funds the School receives. If you have any questions about this report or need additional financial information, contact:

Kwiyagat Community Academy
450 Sunset Boulevard
Towaoc, CO 81334

Financial Statements

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 351,441
Grants receivable	326,807
Prepaid expenses and other assets	300
Total current assets	678,548
Capital assets, net	415,376
Total assets	1,093,924
Liabilities	
Current liabilities	
Accounts payable	65,384
Unearned grant revenue	429,656
Due to Ute Mountain Ute Tribe	63,068
Total current liabilities	558,108
Compensated absences	16,148
Total liabilities	574,256
Net Position	
Investment in capital assets	415,376
Restricted for special education	4,800
Restricted for taxpayer's bill of rights (TABOR)	15,576
Unrestricted	83,916
Total net position	\$ 519,668

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

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Governmental activities:				
Administration	\$ 418,904	\$ 205,551	\$ -	\$ (213,353)
Education	510,668	328,736	-	(181,932)
Food service	45,810	45,810	-	-
Transportation	1,786	283	45,102	43,599
Facilities	<u>36,325</u>	<u>1,000</u>	<u>100,344</u>	<u>65,019</u>
Total governmental activities	<u>\$ 1,013,493</u>	<u>\$ 581,380</u>	<u>\$ 145,446</u>	(286,667)
General revenues:				
Per pupil revenue				<u>461,271</u>
Change in net position				174,604
Net position, beginning of year				<u>345,064</u>
Net position, end of year				<u><u>\$ 519,668</u></u>

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

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Governmental Fund Balance Sheet and Reconciliation to the Statement of Net Position
June 30, 2023

Assets

Cash and cash equivalents	\$	351,441
Grants receivable		326,807
Prepaid expenditures and other assets		<u>300</u>
Total assets	\$	<u><u>678,548</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$	65,384
Unearned grant revenue		429,656
Due to Ute Mountain Ute Tribe		<u>63,068</u>
Total liabilities		<u>558,108</u>

Fund balance

Restricted for special education		4,800
Restricted for TABOR		15,576
Unassigned		<u>100,064</u>
Total fund balance		<u>120,440</u>
Total liabilities and fund balance	\$	<u><u>678,548</u></u>

Total fund balance, governmental fund \$ 120,440

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet. 415,376

Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. (16,148)

Net position, governmental activities \$ 519,668

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

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Year Ended June 30, 2023

Revenues

Federal grants and contracts	\$	502,525
State grants and contracts		113,637
Private grants and contracts		110,664
Per pupil revenue		<u>461,271</u>
Total revenues		<u>1,188,097</u>

Expenditures

Current		
Administration		410,774
Education		507,065
Food service		45,810
Transportation		283
Facilities		3,084
Capital outlay		<u>145,748</u>
Total expenditures		<u>1,112,764</u>
Net change in fund balance		75,333
Fund balance, beginning of year		<u>45,107</u>
Fund balance, end of year	\$	<u>120,440</u>

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

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - governmental fund \$ 75,333

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

Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. In the current period, the cost of these assets and the current period depreciation expense are:

Capital outlay	\$ 145,748	
Depreciation expense	<u>(38,347)</u>	
		107,401

Compensated absences are expensed as used in the governmental fund; however, they are expensed as earned in the statement of activities		<u>(8,130)</u>
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Change in net position of governmental activities \$ 174,604

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

1) Organization and Summary of Significant Accounting Policies

Reporting Entity

Kwiyagat Community Academy (the “School”) is an agency and governmental fund of the Ute Mountain Ute Tribe (the “Tribe”) and is located on the Ute Mountain Ute Tribe Reservation in Towaoc, Colorado. The purpose of the School is to create a Colorado institute charter school that will provide a scholastic environment for youth and their families that emphasizes Ute cultural values, practices, beliefs, and traditions while also maintaining excellent educational standards intended to meet and exceed the criteria for accreditation in the state of Colorado.

The School’s bylaws and charter were adopted on November 18, 2020 by the Tribe’s Tribal Council. The School began operations in 2021 and hired its first employee in the spring of 2021. The School opened to students in the fall of 2021 for its first school year consisting of grades K-1st. Second grade was added in fiscal year 2023 and 3rd grade was added in fiscal year 2024.

The School and its assets are wholly-owned by the Tribe whose governing body is the Tribal Council. All programs administered by the School are included in this report. Consistent with the Ute Mountain Ute Tribe’s sovereign rights as an Indian Tribe, and in accordance with policies of local control of Indian Education as specified in 25 CFR Part 36 and subsequent amendments, it is the intent of the School’s administration and governing body to provide a quality education for the Tribe’s elementary aged children.

Basis of Presentation

The financial statements of the School conform with U.S. generally accepted accounting principles (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments, including Indian Tribes and their entities.

The basic financial statements include the school-wide and fund financial statements. The focus is on the entity as a whole in the school-wide financial statements, while reporting additional and detailed information about the School’s major governmental activities in the fund financial statements.

School-Wide Financial Statements

The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall entity. Eliminations have been made to minimize the double-counting of internal activities. All activities of the School are considered to be governmental activities. Governmental activities generally are financed through federal grants and contracts.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

1) Organization and Summary of Significant Accounting Policies — continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The School does not engage in business-type activities.

Fund Financial Statements

The fund financial statements provide information about the School's major funds. Separate statements for each fund category are displayed. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School reports the following major governmental fund:

- Governmental Fund — the governmental fund is used to account for the activities related to grants and School activities.

Basis of Accounting

The School-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenues reported in governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

1) Organization and Summary of Significant Accounting Policies — continued

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, when such activities occur. Expenditures charged to federal programs are recorded using the cost principles prescribed or permitted by the funding sources.

Budgetary Data

Budgets are prepared on a school-year basis for the School and are used as a management tool throughout the school year. Budgets are not legally required for financial statement presentation. Therefore, a comparison between budgeted and actual expenditures is not presented in the financial statements or as required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts held by one financial institution in demand deposits.

Grants Receivable and Unearned Grant Revenue

Various reimbursement procedures are used for grant awards received by the School. Consequently, timing differences between program expenditures and reimbursements can exist at any time during the fiscal year. Amounts recorded as grants receivable represent an excess of expenditures over cash received to date. Conversely, unearned grant revenue represents an excess of cash received over expenditures. Generally, balances caused by differences in the timing of cash reimbursements and expenditures will reverse in the remaining grant period. Grants receivable primarily relate to federal grants, state grants, and private grants.

Prepaid Expenses

Prepaid expenses consisted of prepayments to vendors that will be expensed in future periods.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

1) Organization and Summary of Significant Accounting Policies — continued

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized. The School's capitalization threshold is \$5,000 for all asset classes.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and equipment	5–7 years
Vehicles	5 years
Building improvements	10–20 years

In the fund financial statements, capital asset additions used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

Taxpayer's Bill of Rights (TABOR) Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "TABOR Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The TABOR Amendment is complex and subject to judicial interpretations. The School believes it has complied with the TABOR Amendment. The School has established a reserve, representing 3% of qualifying expenses/expenditures, as required by the amendment. At June 30, 2023, the emergency reserve of \$15,576 was reported as restricted net position and restricted fund balance in the accompanying financial statements.

Net Position

In the statement of net position, net position is reported in three categories: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt, if any. Restricted net position results when constraints placed on an assets use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation. Restricted net position consists of \$15,576 for compliance with the TABOR Amendment and \$4,800 for special education services. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. At June 30, 2023 the School has \$83,916 of unrestricted net position.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

1) Organization and Summary of Significant Accounting Policies — continued

Revenues

The School recognizes grant revenues at the time that they become available and measurable, which is generally at the time such revenues are currently receivable.

Income Taxes

The School, as a tribal school organized under the Ute Mountain Ute Tribe, is not subject to federal or state income taxes. Therefore, no provision for income taxes is reflected in the accompanying financial statements.

Compensated Absences

The School accrues vacation based on unused hours earned at employee wage rates. Increases in wages during future years may result in an increased liability. The amount accrued as of June 30, 2023, was \$16,148 and is reflected under liabilities on the statement of net position.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School's governing board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the board. Unassigned fund balance in the general fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

The School's Board of Directors establish (and modify or rescind) fund balance commitments by passage of resolutions. When multiple categories of fund balance are available for expenditure, the School will start with the most restrictive category and spend those funds first before moving down to the next category of funds.

New Governmental Accounting Standards Board Pronouncements

The School has reviewed the accounting standards that have recently been issued, but not yet effective or implemented. Management has not determined how the implementation of these new standards will impact the School.

Subsequent Events

The School has evaluated subsequent events through October 3, 2023, the date which the financial statements were available to be issued.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

2) Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School’s deposits may not be returned to it. The School will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The School does not have a formal policy containing any legal or policy requirements limiting the exposure to custodial credit risk for deposits or investments.

At June 30, 2023, the carrying amount of the School’s deposits with banks was \$351,441 and the balance per the financial institution at that date was \$375,316. The difference represents outstanding checks at June 30, 2023. The entire bank balance was covered by Federal Deposit Insurance Corporation (FDIC) coverage.

As required under P.L. 105-277, Section 111, the School has collateralized all unspent restricted funds received from federal agencies either through FDIC insurance or collateral held in the School’s name.

3) Grants Receivable and Unearned Grant Revenue

Grants receivable and unearned grant revenue balances at June 30, 2023, are comprised of the following:

	Grants Receivable	Unearned Grant Revenue
Federal grants receivable	\$ 318,136	\$ -
State grants receivable	7,197	66,644
Private grants receivable	1,474	363,012
Total	\$ 326,807	\$ 429,656

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

4) Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets being depreciated</i>				
Building improvements	\$ 295,799	\$ 100,646	\$ -	\$ 396,445
Vehicles	-	45,102	-	45,102
Machinery and equipment	<u>18,013</u>	<u>-</u>	<u>-</u>	<u>18,013</u>
Total capital assets being depreciated	<u>313,812</u>	<u>145,748</u>	<u>-</u>	<u>459,560</u>
<i>Less accumulated depreciation for</i>				
Building improvements	3,751	33,241	-	36,992
Vehicles	-	1,503	-	1,503
Machinery and equipment	<u>2,086</u>	<u>3,603</u>	<u>-</u>	<u>5,689</u>
Total accumulated depreciation	<u>5,837</u>	<u>38,347</u>	<u>-</u>	<u>44,184</u>
Capital assets, net	<u>\$ 307,975</u>	<u>\$ 107,401</u>	<u>\$ -</u>	<u>\$ 415,376</u>

Depreciation expense was charged to functions as follows:

Education	\$ 3,603
Facilities	33,241
Transportation	<u>1,503</u>
	<u>\$ 38,347</u>

Ownership of all real property, such as the School's building, remains with the Tribe.

Kwiyagat Community Academy
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Notes to Financial Statements
June 30, 2023

5) Compensated Absences

Changes in compensated absences are summarized as follows:

	Beginning Balances	Net Change	Ending Balances
Compensated absences	\$ 8,018	\$ 8,130	\$ 16,148

6) Related Party Transactions

The Ute Mountain Ute Tribe acts as a common paymaster for the School, which includes processing vendor payments and processing payroll for the School. Since the School’s inception, the Tribe has provided advanced funding of \$287,157 to the School for start-up operations and to ensure the School is situated before the School received any revenues. During fiscal year 2023, the School repaid \$224,089 of the advanced funding, resulting in a liability of \$63,068 at June 30, 2023. The intent is for the School to repay the remaining balance in fiscal year 2024. In addition, the School entered into several contracts with Weeminuche Construction Authority, a component unit of the Tribe, for various construction projects at the School.

7) Retirement Plan

Effective January 1, 1997, the Tribe formed the Ute Mountain Ute Tribal Government 401(k) Plan (the “Plan”), a defined contribution plan administered by the Tribe. The Plan was amended and restated in its entirety effective as of January 1, 2011. Employees become eligible on the first day of the calendar quarter following an initial 90 day probationary period. The plan contains no minimum age requirement as a condition of participation. The employer match is limited to 6% of the participant’s gross pay, and participants must contribute at least 1% of their gross pay in order to receive a matching contribution. Matching contributions increase from 100% to 200% of calculated match for employees depending on years of service. During the year ended June 30, 2023, the School made matching contributions to the Plan of \$5,562.

8) Contingencies and Risk Management

Amounts received or receivable from granting agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be minimal.

Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Notes to Financial Statements
June 30, 2023

8) **Contingencies and Risk Management – continued**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The School participates in a public entity risk pool for all risks of losses including workers' compensation and employee health and accident insurance liability. No claims have exceeded insurance coverage.

9) **Concentrations**

The School depends on financial resources flowing from, or associated with, the federal government and the state of Colorado. Because of this dependency, the School is subject to changes in the specific flows of intergovernmental revenues based on modifications to state and federal laws and appropriations.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the School Board and Tribal Council
Kwiyagat Community Academy and Ute Mountain Ute Tribe

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Kwiyagat Community Academy (the "School"), an agency and governmental fund of the Ute Mountain Ute Tribe, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 3, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

SJT Group LLC

Albuquerque, New Mexico
October 3, 2023

Kwiyagat Community Activity
(An Agency of the Ute Mountain Ute Tribe)
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Section II — Financial Statement Findings

None.

**Kwiyagat Community Academy
(An Agency of the Ute Mountain Ute Tribe)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023**

None.