KIPP Colorado Schools
(A Component Unit of Denver Public Schools)

Independent Auditor's Report and Financial Statements

June 30, 2017

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2017

KIPP Colorado Board of Directors
2016-17

Board Chair	Alicia Economos
Treasurer	Dan Friesen
Secretary	Maribeth Younger
Director	Kenneth Joel
Director	Polly Breit
Director	Damian LeeNatali
Director	Kellie O’Keefe
Director	Lisa Roy
Director	Bruce Siegel
Director	Drew Tyrie
Director	Beth Behnke
Director	Todd Ezrine
Director	Jackie Hawkey

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2017

Contents

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Report

Board of Directors
KIPP Colorado Schools
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of KIPP Colorado Schools (the Organization), a component unit of Denver Public Schools, as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the major fund of the Organization as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
KIPP Colorado Schools

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying supplementary information, including the combining financial statements and budgetary comparison schedules, as 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 13, 2017, on our consideration of the Organization's internal control over financial reporting and 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 the 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 Organization's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
November 13, 2017

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2017

As management of KIPP Colorado Schools, a charter school management organization (the Organization), we offer readers of the Organization's financial statements this narrative and analysis of the financial activities of KIPP Colorado Schools for the period from July 1, 2016 to June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements and footnotes.

Financial Highlights

- With the implementation of GASB 68 in FY 2014-2015, the government-wide financial statements of the Organization, like those of all Colorado PERA participants, changed significantly. This change consisted of the inclusion of a net pension liability as well as deferred inflows, deferred outflows, and expenses related to the pension plan. While these line items are material and create an overall deficit in the financial presentation on the government-wide financial statements, the GASB standard only impacts the accounting presentation of these pension related items, and does not impact the timing of the funding obligation of the Organization. A review of the governmental fund financial statements presents a more accurate depiction of the flow of funds for the Organization in the fiscal year. For further information on the GASB 68, see the attached statements and Note 5 in the Notes to the Financial Statements.

- The period from July 1, 2016 through June 30, 2017 covers the 14th year of operation for the Organization. The total fund balance at the end of the year according to the governmental fund balance sheet is $6,125,462, an increase of $1,781,991 over the prior year.

- The net position at the end of the year according to the government-wide financial statements is ($2,921,126). This deficit is driven by the continuing impact of GASB 68.

- The operations of the Organization 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 $13,911,397 compared to $11,405,734 the prior year, an increase driven largely by the expansion of two new schools.

- The Organization operates five schools in addition to the school services team: the original middle school in Southwest Denver (KIPP Sunshine Peak Academy, KSPA), a high school, also in Southwest Denver (KIPP Denver Collegiate, KDC), a second middle school in Montbello (KIPP Montbello College Prep, KMCP), an elementary school which opened August 2016 in Green Valley Ranch (KIPP Montbello Elementary, KME), and a high school which opened August 2016 in Montbello (KIPP Northeast Denver Leadership Academy, KNDLA, formerly named KIPP Montbello Collegiate High School, KMCHS).

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2017

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Organization's financial statements. The statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the Organization's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization 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.

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

For the year ended June 30, 2017, the Organization's liabilities and deferred inflows exceeded assets and deferred outflows by $2,921,126 in the government-wide financial statements. Though the fund balance in the governmental fund increased by $1,781,991 the inclusion of the net pension liability in the government-wide statements creates an overall deficit in the government-wide presentation of the financials. Of the total net position, $615,599 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. $89,674 is restricted for capital construction and $378,258 is the Net Investment in Capital Assets. Accordingly, these net assets are not available to satisfy general operating expenses of the Organization.

Condensed Statement of Net Position

	2017	2016
Assets		
Current (noncapital)	$ 7,112,860	$ 4,967,879
Noncurrent (capital)	378,258	571,030
Total Assets	7,491,118	5,538,909
Deferred Outflow of Resources	6,858,228	3,718,404
Liabilities		
Current	987,398	624,408
Noncurrent (pension)	15,296,531	9,436,078
Total Liabilities	16,283,929	10,060,486
Deferred Inflow of Resources	986,543	1,057,457
Net Position		
Net investment in capital assets	378,258	571,030
Restricted for emergencies	615,599	435,123
Restricted for capital construction	89,674	-
Restricted for school programming	-	3,000
Unrestricted (deficit)	(4,004,657)	(2,869,783)
Total Net Position (Deficit)	$ (2,921,126)	$ (1,860,630)

Condensed Statement of Activities

	2017	2016
Revenues		
Charges for services	$ 173,439	$ 140,337
Grants and contributions (unrestricted)	4,573,627	4,545,136
Per pupil revenue	13,911,397	11,405,734
Mill levy	3,053,662	1,461,395
Investment income	1,513	2,268
Miscellaneous	397,966	699
Total Revenue	22,111,604	17,555,569
Expenses		
Instruction	11,851,296	8,973,552
Support services	11,320,804	8,231,619
Interest on long-term debt	-	347
Total Expenses	23,172,100	17,205,518
Change in Net Position	(1,060,496)	350,051
Net Position (Deficit), Beginning of Year	(1,860,630)	(2,210,681)
Net Position (Deficit), End of Year	$ (2,921,126)	$ (1,860,630)

See Note 5 in Notes to the Financial Statements for further information on GASB 68.

The Organization increased the total number of students served from 1,502 to 1,811 (for all combined schools in operation in fiscal year 2017), which explains much of the increase in per pupil revenue as well as overall expenses. Increases in mill levy funding were due to an increase in students and the passage of new mill funding for fiscal year 2017. The majority of the miscellaneous revenue increase was a result of additional funding received by KNDLA and KMCP to support new affective needs programming.

Financial Analysis of the Organization's Funds

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

As stated previously, as of June 30, 2017, the Organization's governmental fund reported an ending fund balance of $6,125,462. This amount represents an increase of $1,781,991 from the previous year.

General Fund Budgetary Highlights

The Organization presents an annual budget to the Board for monitoring and approval.

The Organization budgeted for expenditures of $22,706,098 for the year ended June 30, 2017. Actual budgetary expenditures were $22,138,094.

There was one budget amendment during the year. This amendment incorporated the actual student count and related programming changes following the original budget approval in spring 2016.

Capital Asset and Debt Administration

Capital Assets

The Organization's capital assets consist of modular buildings and equipment (transportation vans). Depreciation on equipment in 2016-2017 was $27,988 and depreciation on buildings was $229,535. Total capital asset value at June 30, 2017 net of accumulated depreciation was $378,258.

Long-term Debt

As of June 30, 2017, the Organization has no long-term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Organization is student enrollment. Enrollment for the 2016-2017 school year was 1,811. Enrollment for the 2017-2018 school year is projected to be 2,071, including 405 students for KIPP Sunshine Peak Academy, 455 students for KIPP Denver Collegiate High School, 440 students for KIPP Montbello College Prep, 372 students for KIPP Montbello Elementary, and 399 students for KIPP Northeast Denver Leadership Academy. The Organization is aware of projected funding levels for fiscal 2017-2018 and budgets according to the current estimates provided by the Colorado Department of Education and Denver Public Schools.

Financial Statements

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	$ 5,923,672
Grants receivable	820,294
Other receivables	158,882
Prepaid expenses	210,012
Capital assets, net of accumulated depreciation	378,258
Total assets	7,491,118
Deferred Outflow of Resources	6,858,228
Liabilities	
Accounts payable	461,748
Accrued liabilities	381,323
Unearned revenue	144,327
Noncurrent liabilities	
Due in more than one year	
Net pension liability	15,296,531
Total liabilities	16,283,929
Deferred Inflow of Resources	986,543
Net Position	
Net investment in capital assets	378,258
Restricted for emergencies	615,599
Restricted for capital construction	89,674
Restricted for school programming	-
Unrestricted (deficit)	(4,004,657)
Total net position (deficit)	$ (2,921,126)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net Revenue (Expense) and Change in Net Position: Governmental Activities
Primary Government					
Governmental activities					
Instruction	$ 11,851,296	$ 164,123	$ 1,800,048	$ -	$ (9,887,125)
Supporting services	11,320,804	9,316	625,668	307,623	(10,378,197)
Total governmental activities	$ 23,172,100	$ 173,439	$ 2,425,716	$ 307,623	(20,265,322)
General Revenues					
Per pupil revenue					13,911,397
District mill levy					3,053,662
Grants and contributions not restricted to specific programs					1,840,288
Investment income					1,513
Miscellaneous					397,966
Total general revenues					19,204,826
Change in Net Position					(1,060,496)
Net Position (Deficit), Beginning					(1,860,630)
Net Position (Deficit), Ending					$ (2,921,126)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet
Governmental Fund
June 30, 2017

	General Fund
Assets	
Cash	$ 5,923,672
Grants receivable	820,294
Other receivables	158,882
Prepaid expenditures	210,012
Total assets	$ 7,112,860
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 461,748
Accrued liabilities	381,323
Unearned revenue	144,327
Total liabilities	987,398
Fund Balance	
Nonspendable prepaid expenditures	210,012
Restricted for emergencies	615,599
Restricted for capital construction	89,674
Unrestricted, unassigned	5,210,177
Total fund balance	6,125,462
Total liabilities and fund balance	$ 7,112,860

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet (continued)
Governmental Fund
June 30, 2017

	General Fund
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Total fund balance of the Governmental Fund	$ 6,125,462
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	378,258
Deferred inflow of resources are not due and payable in the current period and, therefore, are not reported in the fund	(986,543)
Deferred outflow of resources are not financial resources and, therefore, are not reported in the fund	6,858,228
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund	(15,296,531)
Total net position of governmental activities	$ (2,921,126)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2017

		General Fund
Revenues		
Local sources	$	19,676,969
State sources		853,948
Federal sources		1,580,687
Total revenues		22,111,604
Expenditures		
Current		
Instruction		10,011,992
Supporting services		10,252,870
Capital outlay		64,751
Total expenditures		20,329,613
Net Change in Fund Balance		1,781,991
Fund Balance, Beginning		4,343,471
Fund Balance, Ending	$	6,125,462

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
Governmental Fund
Year Ended June 30, 2017

	General Fund
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Net change in fund balance of the Governmental Fund	$ 1,781,991
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	
Depreciation expense	(257,523)
Capital outlay	64,751
Excess of capital outlay expense over depreciation	(192,772)
Some expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Pension expense	(2,649,715)
Change in net position of governmental activities	$ (1,060,496)

Note 1: Summary of Significant Accounting Policies

KIPP Colorado Schools (the Organization) was formed on January 23, 2002, to operate charter schools as provided in the Colorado Charter Schools Act. The Organization is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code. The Organization currently operates an elementary school, two middle schools and two high schools in Denver Public Schools (the District).

The accounting policies of the Organization 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 and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The Organization is a component unit of Denver Public Schools (the District). The District granted the charters and provides the majority of the funding to the Organization. As additional schools are authorized, the charter agreement is amended.

The financial reporting entity consists of the Organization, organizations for which the Organization is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Organization. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Organization. Legally separate organizations for which the Organization is financially accountable are considered part of the reporting entity. Financial accountability exists if the Organization 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 Organization.

Based on the application of this criteria, the Organization does not include additional organizations within its reporting entity other than the schools it operates.

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all activities of the Organization. Governmental activities, which normally are supported by taxes and 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 revenues not properly included among program revenues are reported instead as general revenues. A management fee has been charged by the Organization to each of the charter schools. This fee has been eliminated upon consolidation.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Organization considers revenues to be available if they are collected within 60 days of the end of the current year. 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 if they are expected to be received within one year. All other revenues are considered to be measurable and available only when cash is received by the Organization. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the Organization reports the following major governmental fund:

General Fund

This fund is the general operating fund of the Organization. It is currently used to account for all financial activities of the Organization.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Receivables

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets

Capital assets, which include buildings and building improvements, are reported in the government-wide financial statements. Capital assets are defined by the Organization as assets with an initial, individual cost of $5,000 or more 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 in the government-wide financial statements. Depreciation is provided over the estimated useful lives of the assets using the straight-line method, as follows:

Vehicles and equipment	4-5 years
Buildings and improvements	25 years

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Both are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the periods(s) to which they relate. Refer to Note 5 for information on deferred outflow/inflows or resources related to pensions.

Unearned Revenues

Unearned revenues include grants collected before qualifying expenditures have been recognized.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as a liability. In the fund financial statements, governmental funds recognize the face amount of debt issued during the current year as other financing sources.

Net Position/Fund Balance

In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The Organization has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available, the Organization uses restricted fund balance first, followed by committed, assigned and unassigned fund balances.

Risk Management

The Organization 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 Organization carries commercial insurance for risks of loss, including liability, property, errors and omissions, and workers' compensation. Settled claims resulting from these risks have not exceeded the Organization's insurance coverage for fiscal years 2017, 2016 and 2015.

Use of Estimates

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Annually, the Board of Directors adopts a budget for the Organization as a whole, 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. Revisions that alter the total expenditures must be approved by the Board of Directors. All appropriations lapse at fiscal year-end.

Note 2: Cash and Investments

Cash and investments at June 30, 2017, consisted of the following:

Deposits

The financial institution holding the Organization’s cash accounts is participating in the FDIC’s Transaction Account Guarantee Program. Interest-bearing transaction accounts were subject to the $250,000 limit on FDIC insurance per covered institution.

The Organization’s investment policy conforms to state statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than $250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the $250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in the Organization’s name, and (3) held at a Federal Reserve Bank or another depository.

Under the provisions of GASB 40, *Deposit and Investment Risk Disclosures,* deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions under the Colorado Public Deposit Protection Act (PDPA), as discussed below. Custodial credit risk is the risk that in the event of bank failure, the Organization’s deposits may not be returned.

Colorado state statutes govern the Organization's deposit of cash. The PDPA requires the Organization to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group.

Investments

The Organization 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 generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. 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

At June 30, 2017, the Organization had no investments and its cash balances consisted of the following:

Description	Carrying Amount	Bank Balance	Amount Covered Under PDPA
Checking	$ 5,923,672	$ 6,163,415	$ 5,913,415

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2017

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2017 are summarized below.

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets being depreciated				
Vehicles and equipment	$ 205,386	$ -	$ -	$ 205,386
Buildings and improvements	819,767	-	-	819,767
Capital assets not being depreciated				
Construction in progress	-	64,751	-	64,751
Total capital assets	1,025,153	64,751	-	1,089,904
Less accumulated depreciation				
Vehicles and equipment	(93,426)	(27,988)	-	(121,414)
Buildings and improvements	(360,697)	(229,535)	-	(590,232)
Total accumulated depreciation	(454,123)	(257,523)	-	(711,646)
Total capital assets being depreciated, net	$ 571,030	$ (192,772)	$ -	$ 378,258

Depreciation expense was charged to the instructional ($255,726) and supporting services ($1,797) programs.

Note 4: Leases

The Organization leases office space under a noncancelable operating lease agreement. The lease expires in February 2020. Rent expense for the lease for the year ended June 30, 2017, was $30,807.

Minimum annual rental payments required under the operating lease for each year ending June 30 are as follows:

2018	$ 33,638
2019	33,638
2020	22,425
2021	-
2022	-
Total	$ 89,701

Note 5: Defined Benefit Pension Plan

Summary of Significant Accounting Policies

The Organization participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). In accordance with GASB 68, the Organization accounts for and reports its participation in the plan as if it was a cost-sharing employer. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Organization have been determined using the same basis as they are reported by the DPS Division, which uses the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

Eligible employees of the Organization are provided with pensions through the DPS Division. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the DPS Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the Organization are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Employer Contribution Rate [1]	10.15%	10.15%
Amount of Employer Contribution apportioned to the DPS Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
PCOP Offset as specified in C.R.S. § 24-51-412	(14.56)%	(15.54)%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%	4.50%
Total Employer Contribution Rate to the DPS Division [1]	4.07%	2.59%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the Organization were $348,523.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Organization reported a liability of $15,296,531 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Organization’s proportion of the net pension liability was based on the Organization’s contributions to the DPS Division for the calendar year 2016 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2016, the Organization’s proportion was 1.40 percent, which was an increase of 0.24 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Organization recognized pension expense of $2,998,238. At June 30, 2016, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 383,952	$ 32,088
Changes of assumptions or other inputs	2,251,308	954,455
Net difference between projected and actual earnings on pension plan investments	1,963,633	-
Changes in proportion	2,042,943	-
Contributions subsequent to the measurement date	216,392	-
Total	$ 6,858,228	$ 986,543

$261,392 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2018	$ 1,754,062
2019	1,754,062
2020	1,521,596
2021	625,573
2022	-
	$ 5,655,293

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2017, and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERAs Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (*i.e.,* the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (*i.e.,* the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the DPS Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 22,372,296	$ 15,296,531	$ 9,452,464

Pension Plan Fiduciary Net Position

Detailed information about the DPS Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Pension Certificates of Participation

The District issued Taxable Pension Certificates of Participation (PCOPs) to fully fund the unfunded actuarial accrued liability of its pension plan (see Note 5). For the years ended June 30, 2017, 2016 and 2015, the Organization contributed 9.95 percent, 9.61 percent and 9.84 percent of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2017, 2016 and 2015, the Organization contributed $1,040,576, $811,189 and $626,091, respectively, to the District for its PCOPs obligation.

Note 7: Postemployment Healthcare Benefits

Plan Description

The Organization contributes to the Denver Public Schools Health Care Trust Fund (DPS HCTF), considered to be a cost-sharing multiple-employer healthcare trust administered by PERA. The DPS HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the DPS HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the DPS HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Organization is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Organization are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the DPS HCTF is established under Title 24, Article 51, Section 208(1)(f.5) of the C.R.S., as amended. For the years ended June 30, 2017, 2016 and 2015, the Organization's contributions to the DPS HCTF were $106,267, $83,015 and $64,892, respectively, equal to their required contributions for each year.

Note 8: Commitments, Contingencies and Compliance

Claims and Judgments

The Organization participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Organization may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Organization.

Litigation

The Organization is subject to litigation that arises in the ordinary course of its activities. The Organization anticipates no potential claims resulting from this litigation which would materially affect the financial statements of the Organization.

TABOR Amendment

In November 1992, Colorado voters approved the TABOR Amendment to the state Constitution which limits state and local government taxing powers and imposes spending limitations. The TABOR Amendment is subject to many interpretations, but the Organization believes it is in substantial compliance with the TABOR Amendment. In accordance with the TABOR Amendment, the Organization has established an emergency reserve representing 3 percent of qualifying expenditures. At June 30, 2017, the reserve reported as restricted net position/fund balance totaled $615,599.

Facility Use Agreement

The Organization has approved facility use agreements with the District to utilize educational facilities owned by the District. For the year ended June 30, 2017, the Organization paid facility use fees of $777 per student. The agreements require facility use fees of $773 per student for the year ending June 30, 2018.

Public School Financial Transparency Act

The Public School Financial Transparency Act requires local education providers to post financial information online, in a downloadable format, for free public access. The Organization believes it is in compliance with this Act and has made such information available via a direct link from the Organization's website to the required information on the District's website.

Required Supplementary Information

KIPP Colorado Schools

(A Component Unit of Denver Public Schools)

Schedule of the Organization's Proportionate Share of the Net Pension Liability

Years Ended December 31, 2016, 2015 and 2014

	December 31,		
	2016	2015	2014
KIPP Colorado Schools' proportion of the net pension liability	1.40%	1.16%	0.99%
KIPP Colorado Schools' proportionate share of the net pension liability	$ 15,296,531	$ 9,436,078	$ 6,169,284
KIPP Colorado Schools' covered-employee payroll	$ 9,226,932	$ 7,257,631	$ 5,821,424
KIPP Colorado Schools' proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.78%	130.02%	105.98%
Plan fiduciary net position as a percentage of the total pension liability	74.05%	79.30%	83.94%

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Contributions
Years Ended June 30, 2017, 2016 and 2015

	June 30,		
	2017	2016	2015
Statutorily required contribution	$ 348,523	$ 161,457	$ 141,702
Contributions in relation to the statutorily required contribution	348,523	161,457	141,702
Contribution deficiency (excess)	$ -	$ -	$ -
KIPP Colorado Schools' covered-employee payroll	$ 10,418,324	$ 8,138,698	$ 6,361,937
Contributions as a percentage of covered-employee payroll	3.35%	1.98%	2.23%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 13,631,042	$ 13,904,595	$ 13,911,397	$ 6,802
District mill levy	1,658,424	3,044,425	3,053,662	9,237
Student activities	168,300	119,250	164,123	44,873
Food service fees	7,000	7,000	9,316	2,316
Grants and contributions	2,612,280	2,426,382	2,138,992	(287,390)
Investment income	2,500	1,750	1,513	(237)
Intercompany	1,804,133	1,807,597	1,808,481	884
Miscellaneous	254,000	381,599	397,966	16,367
Total local sources	20,137,679	21,692,598	21,485,450	(207,148)
State sources				
Grants	691,122	607,806	853,948	246,142
Total state sources	691,122	607,806	853,948	246,142
Federal sources				
Grants	1,750,296	1,605,064	1,580,687	(24,377)
Total revenues	22,579,097	23,905,468	23,920,085	14,617

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund (continued)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	10,677,131	10,885,330	10,701,941	183,389
Employee benefits	2,672,442	2,590,612	2,463,302	127,310
Purchased professional services	526,500	540,275	540,297	(22)
Purchased property services	297,203	325,003	302,780	22,223
Other purchased services	3,884,511	4,231,280	4,039,728	191,552
Supplies and materials	1,030,668	1,129,152	1,145,186	(16,034)
Property and equipment	558,857	603,386	629,480	(26,094)
Intercompany	1,804,133	1,807,597	1,808,481	(884)
Miscellaneous	716,252	593,463	506,899	86,564
Total expenditures	22,167,697	22,706,098	22,138,094	568,004
Net Change in Fund Balance	411,400	1,199,370	1,781,991	582,621
Fund Balance, Beginning	4,343,471	4,343,471	4,343,471	-
Fund Balance, Ending	$ 4,754,871	$ 5,542,841	$ 6,125,462	$ 582,621
Appropriated Reserves				
Contingency	$ 162,032	$ 124,630	N/A	N/A
Release of appropriated fund balance	75,000	-	N/A	N/A
Fund balance reserve	4,485,741	5,418,211	N/A	N/A
	$ 4,722,773	$ 5,542,841		

Reconciliation of Non-GAAP Budgetary Basis to Actual GAAP Basis

Revenues (budgetary)	$ 23,920,085
Less intercompany	(1,808,481)
Total revenues (GAAP basis)	$ 22,111,604
Expenditures (budgetary)	$ 22,138,094
Less intercompany	(1,808,481)
Total expenditures (GAAP basis)	$ 20,329,613

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Required Supplementary Information
Year Ended June 30, 2017

Note 1: Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the Organization on a basis consistent with generally accepted accounting principles, except for the inclusion of intercompany transactions.

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.

As stipulated in state statutes, 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 appropriations lapse at fiscal year-end.

Note 2: Significant Changes Affecting Trends in Actuarial Information

2016 Changes in Assumptions or Other Inputs Since 2015

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.
- The post-retirement mortality assumption for healthy lives for the School, Judicial, and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the DPS Division was lowered from 7.50 percent to 7.25 percent, reflecting the change in the long-term expected rate of return.

Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet
June 30, 2017

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Northeast Denver Leadership Academy
Assets				
Cash and investments	$ 1,669,601	$ 697,904	$ 1,799,783	$ 730,704
Grants receivable	126,872	89,533	82,868	62,274
Other receivables	-	144,000	-	-
Interentity receivable	549,575	121,385	16,680	87,683
Prepaid expenditures	15,538	18,605	2,956	1,926
Total assets	$ 2,361,586	$ 1,071,427	$ 1,902,287	$ 882,587
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 109,988	$ 73,803	$ 112,315	$ 80,980
Interentity payable	-	172,960	235,044	185,571
Accrued liabilities	75,993	80,487	42,817	35,205
Unearned revenue	-	-	-	-
Total liabilities	185,981	327,250	390,176	301,756
Fund Balance				
Nonspendable prepaid expenditures	15,538	18,605	2,956	1,926
Restricted for emergencies	123,767	135,531	137,569	89,097
Restricted for capital construction	89,674	-	-	-
Unrestricted, unassigned	1,946,626	590,041	1,371,586	489,808
Total fund balance	2,175,605	744,177	1,512,111	580,831
Total liabilities and fund balance	$ 2,361,586	$ 1,071,427	$ 1,902,287	$ 882,587

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet (continued)
June 30, 2017

	KIPP Montbello Elementary School	Central Office	Eliminations	Total
Assets				
Cash and investments	$ 452,303	$ 573,377	$ -	$ 5,923,672
Grants receivable	82,354	376,393	-	820,294
Other receivables	-	14,882		158,882
Interentity receivable	211,315	120,023	(1,106,661)	-
Prepaid expenditures	28,216	142,771	-	210,012
Total assets	$ 774,188	$ 1,227,446	$ (1,106,661)	$ 7,112,860
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 58,872	$ 25,790	$ -	$ 461,748
Interentity payable	147,627	365,459	(1,106,661)	-
Accrued liabilities	48,873	97,948	-	381,323
Unearned revenue	-	144,327	-	144,327
Total liabilities	255,372	633,524	(1,106,661)	987,398
Fund Balance				
Nonspendable prepaid expenditures	28,216	142,771	-	210,012
Restricted for emergencies	69,604	60,031	-	615,599
Restricted for capital construction	-	-	-	89,674
Unrestricted, unassigned	420,996	391,120	-	5,210,177
Total fund balance	518,816	593,922	-	6,125,462
Total liabilities and fund balance	$ 774,188	$ 1,227,446	$ (1,106,661)	$ 7,112,860

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Northeast Denver Leadership Academy
Revenues				
Local sources	$ 3,741,782	$ 4,359,090	$ 4,439,914	$ 2,906,243
State sources	383,781	158,612	145,701	69,639
Federal sources	472,017	213,987	221,608	340,631
Total revenues	4,597,580	4,731,689	4,807,223	3,316,513
Expenditures				
Current				
Instruction	2,136,825	2,430,326	2,580,746	1,561,167
Supporting services	1,877,749	1,951,555	1,976,289	1,360,584
Capital outlay	12,702	-	16,680	18,689
Total expenditures	4,027,276	4,381,881	4,573,715	2,940,440
Net Change in Fund Balance	570,304	349,808	233,508	376,073
Fund Balance, Beginning	1,605,301	394,369	1,278,603	204,758
Fund Balance, Ending	$ 2,175,605	$ 744,177	$ 1,512,111	$ 580,831

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Year Ended June 30, 2017

	KIPP Montbello Elementary School	Central Office	Eliminations	Total
Revenues				
Local sources	$ 2,223,903	$ 3,814,518	$ (1,808,481)	$ 19,676,969
State sources	96,215	-	-	853,948
Federal sources	332,444	-	-	1,580,687
Total revenues	2,652,562	3,814,518	(1,808,481)	22,111,604
Expenditures				
Current				
Instruction	1,302,928	-	-	10,011,992
Supporting services	1,097,216	3,797,958	(1,808,481)	10,252,870
Capital outlay	16,680	-	-	64,751
Total expenditures	2,416,824	3,797,958	(1,808,481)	20,329,613
Net Change in Fund Balance	235,738	16,560	-	1,781,991
Fund Balance, Beginning	283,078	577,362	-	4,343,471
Fund Balance, Ending	$ 518,816	$ 593,922	$ -	$ 6,125,462

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Sunshine Peak Academy
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 2,997,209	$ 3,059,846	$ 3,066,870	$ 7,024
District mill levy	343,000	569,731	577,756	8,025
Student activities	40,800	32,500	29,450	(3,050)
Food service fees	7,000	7,000	9,316	2,316
Grants and contributions	10,000	17,100	30,807	13,707
Investment income	2,500	1,750	1,513	(237)
Miscellaneous	-	24,951	26,070	1,119
Total local sources	3,400,509	3,712,878	3,741,782	28,904
State sources				
Grants	356,638	273,562	383,781	110,219
Total state sources	356,638	273,562	383,781	110,219
Federal sources				
Grants	488,078	485,843	472,017	(13,826)
Total revenues	4,245,225	4,472,283	4,597,580	125,297

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Sunshine Peak Academy
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,041,907	2,024,306	1,937,376	86,930
Employee benefits	497,741	493,165	455,852	37,313
Purchased professional services	64,400	61,900	48,500	13,400
Purchased property services	93,470	111,470	102,014	9,456
Other purchased services	1,143,454	1,229,068	1,136,455	92,613
Supplies and materials	203,393	221,593	209,458	12,135
Property and equipment	171,538	105,865	131,406	(25,541)
Miscellaneous	15,300	5,800	6,215	(415)
Total expenditures	4,231,203	4,253,167	4,027,276	225,891
Net Change in Fund Balance	14,022	219,116	570,304	351,188
Fund Balance, Beginning	1,605,301	1,605,301	1,605,301	-
Fund Balance, Ending	$ 1,619,323	$ 1,824,417	$ 2,175,605	$ 351,188
Appropriated Reserves				
Contingency	$ -	$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	1,619,323	1,824,417	N/A	N/A
	$ 1,619,323	$ 1,824,417		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Denver Collegiate High School
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,340,603	$ 3,417,688	$ 3,417,498	$ (190)
District mill levy	400,756	821,749	821,177	(572)
Student activities	51,500	40,750	77,172	36,422
Grants and contributions	-	5,000	16,506	11,506
Investment income	-	-	-	-
Miscellaneous	-	26,405	26,737	332
Total local sources	3,792,859	4,311,592	4,359,090	47,498
State sources				
Grants	124,315	115,066	158,612	43,546
Total state sources	124,315	115,066	158,612	43,546
Federal sources				
Grants	190,438	220,629	213,987	(6,642)
Total revenues	4,107,612	4,647,287	4,731,689	84,402

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Denver Collegiate High School
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,019,920	2,105,918	2,117,739	(11,821)
Employee benefits	486,849	511,355	498,319	13,036
Purchased professional services	93,450	105,777	132,514	(26,737)
Purchased property services	37,400	48,570	52,194	(3,624)
Other purchased services	1,179,231	1,241,672	1,230,298	11,374
Supplies and materials	146,500	178,886	192,786	(13,900)
Property and equipment	89,690	118,154	122,469	(4,315)
Miscellaneous	38,406	35,000	35,562	(562)
Total expenditures	4,091,446	4,345,332	4,381,881	(36,549)
Net Change in Fund Balance	16,166	301,955	349,808	47,853
Fund Balance, Beginning	394,369	394,369	394,369	-
Fund Balance, Ending	$ 410,535	$ 696,324	$ 744,177	$ 47,853
Appropriated Reserves				
Contingency	$ -	$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	410,535	696,324	N/A	N/A
	$ 410,535	$ 696,324		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Montbello College Prep
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,427,172	$ 3,579,763	$ 3,579,688	$ (75)
District mill levy	363,932	653,400	652,801	(599)
Student activities	25,000	11,500	20,981	9,481
Grants and contributions	-	30	25,070	25,040
Miscellaneous	127,000	154,334	161,374	7,040
Total local sources	3,943,104	4,399,027	4,439,914	40,887
State sources				
Grants	120,973	90,874	145,701	54,827
Total state sources	120,973	90,874	145,701	54,827
Federal sources				
Grants	202,728	225,010	221,608	(3,402)
Total revenues	4,266,805	4,714,911	4,807,223	92,312

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Montbello College Prep
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,012,796	2,095,757	2,100,863	(5,106)
Employee benefits	528,691	519,562	505,067	14,495
Purchased professional services	58,000	114,383	111,711	2,672
Purchased property services	20,000	30,000	29,650	350
Other purchased services	1,315,989	1,421,841	1,409,013	12,828
Supplies and materials	184,800	230,415	242,476	(12,061)
Property and equipment	100,000	130,863	141,304	(10,441)
Miscellaneous	39,272	35,000	33,631	1,369
Total expenditures	4,259,548	4,577,821	4,573,715	4,106
Net Change in Fund Balance	7,257	137,090	233,508	96,418
Fund Balance, Beginning	1,278,603	1,278,603	1,278,603	-
Fund Balance, Ending	$ 1,285,860	$ 1,415,693	$ 1,512,111	$ 96,418
Appropriated Reserves				
Contingency	$ 39,498	$ -	N/A	N/A
Release of appropriated fund balance	75,000	-	N/A	N/A
Fund balance reserve	1,171,362	1,415,693	N/A	N/A
	$ 1,285,860	$ 1,415,693		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Denver Leadership Academy
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 2,218,840	$ 2,203,136	$ 2,203,161	$ 25
District mill levy	249,537	517,519	520,192	2,673
Student activities	36,000	22,000	22,626	626
Grants and contributions	-	1,491	1,491	-
Miscellaneous	127,000	150,474	158,773	8,299
Total local sources	2,631,377	2,894,620	2,906,243	11,623
State sources				
Grants	51,593	52,548	69,639	17,091
Total state sources	51,593	52,548	69,639	17,091
Federal sources				
Grants	554,231	340,631	340,631	-
Total revenues	3,237,201	3,287,799	3,316,513	28,714

KIPP Colorado Schools

(A Component Unit of Denver Public Schools)

Budgetary Comparison Schedule (continued)

KIPP Northeast Denver Leadership Academy

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	1,350,682	1,389,092	1,349,089	40,003
Employee benefits	334,970	328,436	304,782	23,654
Purchased professional services	63,100	49,115	42,585	6,530
Purchased property services	29,132	28,132	15,907	12,225
Other purchased services	855,516	912,114	879,042	33,072
Supplies and materials	230,900	219,543	229,300	(9,757)
Property and equipment	80,000	111,941	94,988	16,953
Miscellaneous	27,188	27,031	24,747	2,284
Total expenditures	2,971,488	3,065,404	2,940,440	124,964
Net Change in Fund Balance	265,713	222,395	376,073	153,678
Fund Balance, Beginning	204,758	204,758	204,758	-
Fund Balance, Ending	$ 470,471	$ 427,153	$ 580,831	$ 153,678
Appropriated Reserves				
Contingency	$ 16,953	$ 32,310	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	453,518	394,843	N/A	N/A
	$ 470,471	$ 427,153		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Montbello Elementary School
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 1,647,218	$ 1,644,162	$ 1,644,180	$ 18
District mill levy	301,199	482,026	481,736	(290)
Student activities	15,000	12,500	13,894	1,394
Grants and contributions	125,000	80,000	59,081	(20,919)
Miscellaneous	-	25,435	25,012	(423)
Total local sources	2,088,417	2,244,123	2,223,903	(20,220)
State sources				
Grants	37,603	75,756	96,215	20,459
Total state sources	37,603	75,756	96,215	20,459
Federal sources				
Grants	314,821	332,951	332,444	(507)
Total revenues	2,440,841	2,652,830	2,652,562	(268)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Montbello Elementary School
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	1,072,172	1,074,575	1,047,417	27,158
Employee benefits	274,150	265,617	243,862	21,755
Purchased professional services	40,150	54,600	40,583	14,017
Purchased property services	19,860	19,860	27,889	(8,029)
Other purchased services	662,989	718,607	717,556	1,051
Supplies and materials	210,900	194,800	212,913	(18,113)
Property and equipment	68,730	90,964	108,059	(17,095)
Miscellaneous	21,472	21,442	18,545	2,897
Total expenditures	2,370,423	2,440,465	2,416,824	23,641
Net Change in Fund Balance	70,418	212,365	235,738	23,373
Fund Balance, Beginning	283,078	283,078	283,078	-
Fund Balance, Ending	$ 353,496	$ 495,443	$ 518,816	$ 23,373
Appropriated Reserves				
Contingency	$ 32,581	$ 35,022	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	320,915	460,421	N/A	N/A
	$ 353,496	$ 495,443		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Central Office
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
CMO Fee	$ 1,772,035	$ 1,807,597	$ 1,808,481	$ 884
Grants and contributions	2,477,280	2,322,761	2,006,037	(316,724)
Total local sources	4,249,315	4,130,358	3,814,518	(315,840)
Total revenues	4,249,315	4,130,358	3,814,518	(315,840)
Expenditures				
Current				
Salaries	2,179,654	2,195,682	2,149,457	46,225
Employee benefits	550,041	472,477	455,420	17,057
Purchased professional services	207,400	154,500	164,404	(9,904)
Purchased property services	97,341	86,971	75,126	11,845
Other purchased services	531,465	515,575	475,845	39,730
Supplies and materials	54,175	83,915	58,253	25,662
Property and equipment	48,899	45,599	31,254	14,345
Miscellaneous	574,614	469,190	388,199	80,991
Total expenditures	4,243,589	4,023,909	3,797,958	225,951
Net Change in Fund Balance	5,726	106,449	16,560	(89,889)
Fund Balance, Beginning	577,362	577,362	577,362	-
Fund Balance, Ending	$ 583,088	$ 683,811	$ 593,922	$ (89,889)
Appropriated Reserves				
Contingency	$ 73,000	$ 57,298	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	510,088	626,513	N/A	N/A
	$ 583,088	$ 683,811		

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

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

Board of Directors
KIPP Colorado Schools
Denver, Colorado

We have audited, 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, the financial statements of the governmental activities and the major fund of KIPP Colorado Schools (the Organization), a component unit of Denver Public Schools, as of June 30, 2017, and the related notes to the Organization's financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Organization's internal control to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 may exist that have not been identified.

Board of Directors
KIPP Colorado Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Colorado Department of Education's *Financial Policies and Procedures Handbook*, 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*.

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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 13, 2017