

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Independent Auditor's Report and Financial Statements
June 30, 2016

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2016

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2015-16

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KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2016

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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, 2016, 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, 2016, 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.

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 October 31, 2016, 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
October 31, 2016

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

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, 2015 to June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements and footnotes.

Financial Highlights

- Due to the implementation of GASB 68 in FY 2015-2016, the government-wide financial statements of the Organization, like those of all Colorado PERA participants, changed significantly. This change consists of the inclusion of a net pension liability as well as deferred inflows, deferred outflows, and expenses related to the pension plan. Though the change is material and creates 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 the change does not represent a change to 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 implementation of GASB 68, see the attached statements and Note 6 in the Notes to the Financial Statements.
- The period from July 1, 2015 through June 30, 2016 covers the 13th year of operation for the Organization. The total fund balance at the end of the year according to the governmental fund balance sheet is \$4,343,471, an increase of \$1,750,606 over the prior year.
- The net position at the end of the year according to the government-wide financial statements is (\$1,860,630). 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 \$11,405,734 compared to \$8,593,706 the prior year, an increase driven largely by the opening 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), a high school, also in Southwest Denver (KIPP Denver Collegiate), a second middle school in Montbello (KIPP Montbello College Prep), an elementary school which opened August 2016 in Green Valley Ranch (KIPP Montbello Elementary), and a high school which opened August 2016 in Montbello (KIPP Northeast Denver Leadership Academy, formerly named KIPP Montbello Collegiate High School).

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

Government-wide Financial Analysis

For the year ended June 30, 2016, the Organization's liabilities and deferred inflows exceeded assets and deferred outflows by \$1,860,630 in the government-wide financial statements. Though the fund balance in the governmental fund increased by \$1,750,606 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, \$435,123 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$3,000 is restricted for school programming in the subsequent fiscal year, and \$571,030 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

	<u>2016</u>	<u>2015</u>
Assets		
Current (noncapital)	\$ 4,967,879	\$ 3,150,492
Noncurrent (capital)	571,030	533,461
Cash held by DPS	-	246,499
Total Assets	<u>5,538,909</u>	<u>3,930,452</u>
 Deferred Outflow of Resources	 <u>3,718,404</u>	 <u>857,024</u>
 Liabilities		
Current	624,408	827,490
Noncurrent	9,436,078	6,169,284
Total Liabilities	<u>10,060,486</u>	<u>6,996,774</u>
 Deferred Inflow of Resources	 <u>1,057,457</u>	 <u>1,383</u>
 Net Position		
Net investment in capital assets	571,030	510,097
Restricted for emergencies	435,123	322,362
Restricted for school programming	3,000	19,537
Unrestricted (deficit)	<u>(2,869,783)</u>	<u>(3,062,677)</u>
Total Net Position	<u>\$ (1,860,630)</u>	<u>\$ (2,210,681)</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

Condensed Statement of Activities

	2016	2015
Revenues		
Charges for services	\$ 140,337	\$ 106,928
Grants and contributions (unrestricted)	4,545,136	3,010,746
Per pupil operating revenue	11,405,734	8,593,706
Mill levy	1,461,395	925,715
Investment income	2,268	2,124
Miscellaneous	699	2,961
Total Revenue	17,555,569	12,642,180
Expenses		
Instruction	8,973,552	6,812,909
Support services	8,231,619	6,171,730
Interest on long-term debt	347	4,119
Total Expenses	17,205,518	12,988,758
Change in Net Position	350,051	(346,578)
Net Position (Deficit), Beginning of Year	(2,210,681)	(1,864,103)
Net Position (Deficit), End of Year	\$ (1,860,630)	\$ (2,210,681)

* See note 6 in Notes to the Financial Statements for further information on GASB 68.

The Organization increased the total number of students served from 1,152 to 1,502 (for all combined schools in operation in fiscal year 2016), which explains much of the increase in per pupil operating revenue.

The FYE 2016 increase in expenses is due to several factors. The Organization added staffing and programming for the two new schools that opened in the fiscal year. Additional staffing at the regional office was added to support the growth of the region from three to five schools. The schools also invested additional funding towards educational technology and programming. The final factor is the previously mentioned pension expense related to GASB 68, which increased in FYE 2016.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

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, 2016, the Organization's governmental fund reported an ending fund balance of \$4,343,471. This amount represents an increase of \$1,750,606 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 \$16,614,443 for the year ended June 30, 2016. Actual expenditures were \$15,804,963.

There was one budget amendments during the year. This amendment incorporated the actual student count and related programming changes following the original budget approval in spring 2015.

Capital Asset and Debt Administration

Capital assets

The Organization's capital assets consist of modular buildings and equipment (transportation vans). Depreciation on equipment in 2015-2016 was \$21,231 and depreciation on buildings was \$32,791. Total capital asset value at June 30, 2016 net of accumulated depreciation was \$571,030.

Long-term debt

As of June 30, 2016, the Organization has no long term debt.

KIPP Colorado Schools
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Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Organization is student enrollment. Enrollment for the 2015-2016 school year was 1,502. Enrollment for the 2016-2017 school year is projected to be 1,795, including 395 students for KIPP Sunshine Peak Academy, 426 students for KIPP Denver Collegiate High School, 439 students for KIPP Montbello College Prep, 248 students for KIPP Montbello Elementary, and 287 students for KIPP Northeast Denver Leadership Academy. The Organization is aware of projected funding levels for fiscal 2016-2017 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, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 4,408,737
Grants receivable	508,708
Prepaid expenses	50,434
Capital assets, net of accumulated depreciation	571,030
Total assets	5,538,909
Deferred Outflow of Resources	3,718,404
Liabilities	
Accounts payable	216,525
Accrued liabilities	327,883
Unearned revenue	80,000
Noncurrent liabilities	
Due in more than one year	
Net pension liability	9,436,078
Total liabilities	10,060,486
Deferred Inflow of Resources	1,057,457
Net Position	
Net investment in capital assets	571,030
Restricted for emergencies	435,123
Restricted for school programming	3,000
Unrestricted (deficit)	(2,869,783)
Total net position (deficit)	\$ (1,860,630)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	
Primary Government					
Governmental activities					
Instruction	\$ 8,973,552	\$ 132,235	\$ 1,145,629	\$ 277,741	\$ (7,417,947)
Supporting services	8,231,619	8,102	589,716	-	(7,633,801)
Interest on long-term debt	347	-	-	-	(347)
Total governmental activities	<u>\$ 17,205,518</u>	<u>\$ 140,337</u>	<u>\$ 1,735,345</u>	<u>\$ 277,741</u>	<u>(15,052,095)</u>
General Revenues					
					11,405,734
					1,461,395
					2,532,050
					2,268
					699
					<u>15,402,146</u>
					350,051
					<u>(2,210,681)</u>
					<u>\$ (1,860,630)</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet
Governmental Fund
June 30, 2016

	General Fund
Assets	
Cash and investments	\$ 4,408,737
Grants receivable	508,708
Prepaid expenditures	<u>50,434</u>
Total assets	<u><u>\$ 4,967,879</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 216,525
Accrued liabilities	327,883
Unearned revenue	<u>80,000</u>
Total liabilities	<u>624,408</u>
Fund Balance	
Nonspendable prepaid expenditures	50,434
Restricted for emergencies	435,123
Restricted for school programming	3,000
Unrestricted, unassigned	<u>3,854,914</u>
Total fund balance	<u>4,343,471</u>
Total liabilities and fund balance	<u><u>\$ 4,967,879</u></u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet (continued)
Governmental Fund
June 30, 2016

	General Fund
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Total fund balance of the Governmental Fund	\$ 4,343,471
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	571,030
Deferred inflow of resources are not due and payable in the current period and, therefore, are not reported in the fund	(1,057,457)
Deferred outflow of resources are not financial resources and, therefore, are not reported in the fund	3,718,404
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds	(9,436,078)
Total net position of governmental activities	\$ (1,860,630)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
June 30, 2016

	General Fund
Revenues	
Local sources	\$ 15,584,702
State sources	664,792
Federal sources	1,306,075
Total revenues	17,555,569
Expenditures	
Current	
Instruction	8,015,081
Supporting services	7,674,580
Capital outlay	91,591
Debt service	
Principal	23,364
Interest	347
Total expenditures	15,804,963
Net Change in Fund Balance	1,750,606
Fund Balance, Beginning	2,592,865
Fund Balance, Ending	\$ 4,343,471

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
Governmental Fund
June 30, 2016

	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	\$ 1,750,606
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	(54,022)
Capital outlay	91,591
Excess of capital outlay expense over depreciation	37,569
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	(1,461,488)
Repayment of long-term debt is an expenditure in governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This amount represents loan payments in the current year	23,364
Change in Net Position of Governmental Activities	\$ 350,051

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2016

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.

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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2016

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, Liabilities 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.

KIPP Colorado Schools
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Notes to Financial Statements
June 30, 2016

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

Unearned Revenues

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

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 2016, 2015 and 2014.

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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2016

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, 2016, 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 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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2016

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, 2016, the Organization had no investments and its cash balances at June 30, 2016 consisted of the following:

Description	Carrying Amount	Bank Balance	Amount Covered Under PDPA
Checking	<u>\$ 4,408,737</u>	<u>\$ 4,520,180</u>	<u>\$ 4,251,616</u>

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Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2016 are summarized below.

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets being depreciated				
Vehicles and equipment	\$ 113,795	\$ 91,591	\$ -	\$ 205,386
Buildings and improvements	819,767	-	-	819,767
Total capital assets, being depreciated	<u>933,562</u>	<u>91,591</u>	<u>-</u>	<u>1,025,153</u>
Less accumulated depreciation				
Vehicles and equipment	(72,195)	(21,231)	-	(93,426)
Buildings and improvements	<u>(327,906)</u>	<u>(32,791)</u>	<u>-</u>	<u>(360,697)</u>
Total accumulated depreciation	<u>(400,101)</u>	<u>(54,022)</u>	<u>-</u>	<u>(454,123)</u>
Total capital assets being depreciated, net	<u>\$ 533,461</u>	<u>\$ 37,569</u>	<u>\$ -</u>	<u>\$ 571,030</u>

Depreciation expense was charged to the instructional (\$43,622) and supporting services (\$10,400) programs.

Note 4: Long-term Debt

Changes in long-term debt for the year ended June 30, 2016 were as follows.

	Balance at July 1, 2015	Additions	Payments	Balance at June 30, 2016	Due Within One Year
Loans payable	<u>\$ 23,364</u>	<u>\$ -</u>	<u>\$ (23,364)</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 5: 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, 2016, was \$30,807.

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

2017		\$	30,807
2018			30,807
2019			30,807
2020			20,538
 Total		 \$	 112,959

Note 6: 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.

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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.

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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, 2015	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	(15.97)%	(15.54)%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the DPS Division ¹	1.36%	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 \$161,457 for the year ended June 30, 2016.

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

At June 30, 2016, the Organization reported a liability of \$9,436,078 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, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Organization's proportion of the net pension liability was based on the Organization's contributions to the DPS Division for the calendar year 2015 relative to the total contributions of participating employers to the DPS Division.

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At December 31, 2015, the Organization's proportion was 1.16 percent, which was an increase of 0.17 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Organization recognized pension expense of \$1,622,945. 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	\$ 424,889	\$ 1,230
Changes of assumptions or other inputs	-	1,056,227
Net difference between projected and actual earnings on pension plan investments	2,129,306	-
Changes in proportion	1,057,362	-
Contributions subsequent to the measurement date	106,847	-
Total	\$ 3,718,404	\$ 1,057,457

\$106,847 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, 2017. 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		
2017	\$	689,999
2018		689,999
2019		689,999
2020		483,673
2021		430
	\$	2,554,100

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Actuarial Assumptions

The total pension liability in the December 31, 2014 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
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

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, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

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- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The DPS Division’s long-term expected rate of return on pension plan investments was determined using 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 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 15, 2013 adoption of the 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov’t/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	<u>7.00%</u>	7.15%
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 7.50 percent

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Discount Rate

The discount rate used to measure the total pension liability was 7.50 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:

- 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 3.90 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.

KIPP Colorado Schools
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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 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. There was no change in the discount rate from the prior 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 14,770,834	\$ 9,436,078	\$ 5,010,046

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 7: 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 6). For the years ended June 30, 2016, 2015 and 2014, the Organization contributed 9.61 percent, 9.84 percent and 10.80 percent of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2016, 2015 and 2014, the Organization contributed \$811,189, \$626,091 and \$576,166, respectively, to the District for its PCOPs obligation.

KIPP Colorado Schools
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Note 8: 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, 2016, 2015 and 2014, the Organization's contributions to the DPS HCTF were \$83,015, \$64,892 and \$54,423, respectively, equal to their required contributions for each year.

Note 9: Commitments and Contingencies

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, 2016, 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.

KIPP Colorado Schools
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Litigation

The Organization is involved in pending litigation. 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, 2016, the reserve reported as restricted net position/fund balance totaled \$435,123.

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, 2016, the Organization paid facility use fees of \$775 per student, which totaled \$294,511, \$340,238, \$105,404 and \$120,905, respectively, for the Denver Collegiate High School, Montbello College Prep, Montbello Collegiate High School, and Montbello Elementary campuses. The agreements require facility use fees of \$777 per student for the year ending June 30, 2017.

Required Supplementary Information

KIPP Colorado Schools
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Schedule of the Organization's Proportionate
Share of the Net Pension Liability
Years Ended December 31, 2015 and 2014

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

	June 30,	
	2016	2015
Statutorily required contribution	\$ 161,457	\$ 141,702
Contributions in relation to the statutorily required contribution	161,457	141,702
Contribution deficiency (excess)	\$ -	\$ -
KIPP Colorado Schools' covered-employee payroll	\$ 8,138,698	\$ 6,361,937
Contributions as a percentage of covered-employee payroll	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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 11,037,648	\$ 11,290,847	\$ 11,405,734	\$ 114,887
District mill levy	1,259,963	1,421,750	1,461,395	39,645
Student activities	137,300	139,950	132,235	(7,715)
Food service fees	7,000	18,000	8,102	(9,898)
Grants and contributions	2,247,756	2,482,556	2,574,269	91,713
Investment income	2,690	2,690	2,268	(422)
Miscellaneous	-	-	699	699
Total local sources	<u>14,692,357</u>	<u>15,355,793</u>	<u>15,584,702</u>	<u>228,909</u>
State sources				
Grants	<u>470,275</u>	<u>595,828</u>	<u>664,792</u>	<u>68,964</u>
Total state sources	<u>470,275</u>	<u>595,828</u>	<u>664,792</u>	<u>68,964</u>
Federal sources				
Grants	<u>1,007,666</u>	<u>1,206,702</u>	<u>1,306,075</u>	<u>99,373</u>
Total revenues	<u>16,170,298</u>	<u>17,158,323</u>	<u>17,555,569</u>	<u>397,246</u>

KIPP Colorado Schools
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Budgetary Comparison Schedule
General Fund (continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	8,803,327	8,731,635	8,437,141	294,494
Employee benefits	2,110,642	2,093,334	1,749,596	343,738
Purchased professional services	347,950	423,125	407,133	15,992
Purchased property services	225,770	259,352	223,423	35,929
Other purchased services	3,015,164	3,207,336	3,219,568	(12,232)
Supplies and materials	738,050	853,800	808,601	45,199
Property and equipment	429,103	706,284	637,353	68,931
Miscellaneous	182,276	315,377	298,437	16,940
Debt service				
Principal	23,500	23,500	23,364	136
Interest	700	700	347	353
Total expenditures	<u>15,876,482</u>	<u>16,614,443</u>	<u>15,804,963</u>	<u>809,480</u>
Net Change in Fund Balance	293,816	543,880	1,750,606	1,206,726
Fund Balance, Beginning	<u>2,302,230</u>	<u>2,588,435</u>	<u>2,592,865</u>	<u>4,430</u>
Fund Balance, Ending	<u>\$ 2,596,046</u>	<u>\$ 3,132,315</u>	<u>\$ 4,343,471</u>	<u>\$ 1,211,156</u>
Appropriated Reserves				
Contingency	\$ 236,356	\$ 201,160	N/A	N/A
Release of appropriated fund balance	100,000	-	N/A	N/A
Fund balance reserve	<u>2,259,691</u>	<u>2,931,155</u>	N/A	N/A
	<u>\$ 2,596,047</u>	<u>\$ 3,132,315</u>		

KIPP Colorado Schools
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Notes to Required Supplementary Information
Year Ended June 30, 2016

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.

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.

Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet
June 30, 2016

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Montbello Collegiate High School
Assets				
Cash and investments	\$ 1,437,875	\$ 516,917	\$ 1,420,668	\$ 268,578
Grants receivable	153,523	23,055	3,065	38,886
Interentity receivable	138,610	11,754	2,704	95,000
Prepaid expenditures	292	10,528	179	4,640
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,730,300</u>	<u>\$ 562,254</u>	<u>\$ 1,426,616</u>	<u>\$ 407,104</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 35,973	\$ 51,038	\$ 57,331	\$ 23,963
Interentity payable	10,824	30,611	45,132	154,319
Accrued liabilities	78,202	86,236	45,550	24,064
Unearned revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>124,999</u>	<u>167,885</u>	<u>148,013</u>	<u>202,346</u>
Fund Balance				
Nonspendable prepaid expenditures	292	10,528	179	4,640
Restricted for emergencies	113,660	106,908	123,419	45,689
Restricted for school programming	1,500	1,500	-	-
Unrestricted, unassigned	1,489,849	275,433	1,155,005	154,429
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,605,301</u>	<u>394,369</u>	<u>1,278,603</u>	<u>204,758</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 1,730,300</u>	<u>\$ 562,254</u>	<u>\$ 1,426,616</u>	<u>\$ 407,104</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet (continued)
June 30, 2016

	KIPP Montbello Elementary School	Central Office	Eliminations	Total
Assets				
Cash and investments	\$ 179,825	\$ 584,874	\$ -	\$ 4,408,737
Grants receivable	281,885	8,294	-	508,708
Interentity receivable	-	265,261	(513,329)	-
Prepaid expenditures	1,396	33,399	-	50,434
	<u>1,396</u>	<u>33,399</u>	<u>-</u>	<u>50,434</u>
Total assets	<u>\$ 463,106</u>	<u>\$ 891,828</u>	<u>\$ (513,329)</u>	<u>\$ 4,967,879</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 21,192	\$ 27,028	\$ -	\$ 216,525
Interentity payable	139,165	133,278	(513,329)	-
Accrued liabilities	19,671	74,160	-	327,883
Unearned revenue	-	80,000	-	80,000
	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total liabilities	<u>180,028</u>	<u>314,466</u>	<u>(513,329)</u>	<u>624,408</u>
Fund Balance				
Nonspendable prepaid expenditures	1,396	33,399	-	50,434
Restricted for emergencies	45,447	-	-	435,123
Restricted for school programming	-	-	-	3,000
Unrestricted, unassigned	236,235	543,963	-	3,854,914
	<u>236,235</u>	<u>543,963</u>	<u>-</u>	<u>3,854,914</u>
Total fund balance	<u>283,078</u>	<u>577,362</u>	<u>-</u>	<u>4,343,471</u>
Total liabilities and fund balance	<u>\$ 463,106</u>	<u>\$ 891,828</u>	<u>\$ (513,329)</u>	<u>\$ 4,967,879</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2016

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Montbello Collegiate High School
Revenues				
Local sources	\$ 3,423,415	\$ 3,435,059	\$ 3,976,512	\$ 1,512,476
State sources	365,239	128,543	137,452	16,479
Federal sources	482,458	178,388	224,524	91,267
	<u>4,271,112</u>	<u>3,741,990</u>	<u>4,338,488</u>	<u>1,620,222</u>
Expenditures				
Current				
Instruction	2,060,562	2,062,650	2,271,829	776,884
Supporting services	1,790,367	1,595,328	1,650,091	643,655
Capital outlay	57,021	29,235	-	-
Debt service				
Principal	23,364	-	-	-
Interest	347	-	-	-
	<u>3,931,661</u>	<u>3,687,213</u>	<u>3,921,920</u>	<u>1,420,539</u>
Net Change in Fund Balance	339,451	54,777	416,568	199,683
Fund Balance, Beginning	<u>1,265,850</u>	<u>339,592</u>	<u>862,035</u>	<u>5,075</u>
Fund Balance, Ending	<u><u>\$ 1,605,301</u></u>	<u><u>\$ 394,369</u></u>	<u><u>\$ 1,278,603</u></u>	<u><u>\$ 204,758</u></u>

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, 2016

	KIPP Montbello Elementary School	Central Office	Eliminations	Total
Revenues				
Local sources	\$ 1,497,822	\$ 3,108,103	\$ (1,368,685)	\$ 15,584,702
State sources	17,079	-	-	664,792
Federal sources	329,438	-	-	1,306,075
	<u>1,844,339</u>	<u>3,108,103</u>	<u>(1,368,685)</u>	<u>17,555,569</u>
Total revenues				
Expenditures				
Current				
Instruction	843,156	-	-	8,015,081
Supporting services	714,344	2,649,480	(1,368,685)	7,674,580
Capital outlay	5,335	-	-	91,591
Debt service				
Principal	-	-	-	23,364
Interest	-	-	-	347
	<u>1,562,835</u>	<u>2,649,480</u>	<u>(1,368,685)</u>	<u>15,804,963</u>
Total expenditures				
Net Change in Fund Balance	281,504	458,623	-	1,750,606
Fund Balance, Beginning	<u>1,574</u>	<u>118,739</u>	<u>-</u>	<u>2,592,865</u>
Fund Balance, Ending	<u>\$ 283,078</u>	<u>\$ 577,362</u>	<u>\$ -</u>	<u>\$ 4,343,471</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Sunshine Peak Academy
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 2,853,899	\$ 2,954,787	\$ 2,991,634	\$ 36,847
District mill levy	289,940	341,068	349,509	8,441
Student activities	40,800	40,800	36,821	(3,979)
Food service fees	7,000	18,000	8,102	(9,898)
Grants and contributions	6,000	18,000	35,074	17,074
Investment income	2,500	2,500	2,073	(427)
Miscellaneous	-	-	202	202
Total local sources	<u>3,200,139</u>	<u>3,375,155</u>	<u>3,423,415</u>	<u>48,260</u>
State sources				
Grants	<u>264,050</u>	<u>308,238</u>	<u>365,239</u>	<u>57,001</u>
Total state sources	<u>264,050</u>	<u>308,238</u>	<u>365,239</u>	<u>57,001</u>
Federal sources				
Grants	<u>456,782</u>	<u>479,412</u>	<u>482,458</u>	<u>3,046</u>
Total revenues	<u>3,920,971</u>	<u>4,162,805</u>	<u>4,271,112</u>	<u>108,307</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Sunshine Peak Academy
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,000,749	1,891,726	1,886,819	4,907
Employee benefits	473,769	440,618	395,181	45,437
Purchased professional services	42,000	53,500	58,400	(4,900)
Purchased property services	80,700	84,700	81,173	3,527
Other purchased services	995,460	1,086,207	1,067,991	18,216
Supplies and materials	213,000	230,000	217,196	12,804
Property and equipment	94,150	237,888	190,272	47,616
Miscellaneous	13,500	13,500	10,918	2,582
Debt service				
Principal	23,500	23,500	23,364	136
Interest	700	700	347	353
Total expenditures	<u>3,937,528</u>	<u>4,062,339</u>	<u>3,931,661</u>	<u>130,678</u>
Net Change in Fund Balance	(16,557)	100,466	339,451	238,985
Fund Balance, Beginning	<u>1,175,743</u>	<u>1,265,821</u>	<u>1,265,850</u>	<u>29</u>
Fund Balance, Ending	<u><u>\$ 1,159,186</u></u>	<u><u>\$ 1,366,287</u></u>	<u><u>\$ 1,605,301</u></u>	<u><u>\$ 239,014</u></u>
Appropriated Reserves				
Contingency	\$ -	\$ -	N/A	N/A
Release of appropriated fund balance	25,000	-	N/A	N/A
Fund balance reserve	<u>1,134,186</u>	<u>1,366,287</u>	N/A	N/A
	<u><u>\$ 1,159,186</u></u>	<u><u>\$ 1,366,287</u></u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Denver Collegiate High School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 2,920,927	\$ 2,946,398	\$ 2,995,935	\$ 49,537
District mill levy	319,278	362,986	369,583	6,597
Student activities	54,000	54,000	58,087	4,087
Grants and contributions	185,000	196,250	11,307	(184,943)
Investment income	150	150	91	(59)
Miscellaneous	-	-	56	56
Total local sources	<u>3,479,355</u>	<u>3,559,784</u>	<u>3,435,059</u>	<u>(124,725)</u>
State sources				
Grants	<u>85,600</u>	<u>122,570</u>	<u>128,543</u>	<u>5,973</u>
Total state sources	<u>85,600</u>	<u>122,570</u>	<u>128,543</u>	<u>5,973</u>
Federal sources				
Grants	<u>151,231</u>	<u>174,171</u>	<u>178,388</u>	<u>4,217</u>
Total revenues	<u>3,716,186</u>	<u>3,856,525</u>	<u>3,741,990</u>	<u>(114,535)</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Denver Collegiate High School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	1,860,353	1,881,517	1,860,576	20,941
Employee benefits	435,331	423,551	370,849	52,702
Purchased professional services	79,100	90,000	83,078	6,922
Purchased property services	29,900	37,400	32,148	5,252
Other purchased services	973,693	1,023,597	1,048,885	(25,288)
Supplies and materials	129,900	145,400	123,194	22,206
Property and equipment	89,362	117,382	126,334	(8,952)
Miscellaneous	37,020	37,101	42,149	(5,048)
Total expenditures	<u>3,634,659</u>	<u>3,755,948</u>	<u>3,687,213</u>	<u>68,735</u>
Net Change in Fund Balance	81,527	100,577	54,777	(45,800)
Fund Balance, Beginning	<u>323,416</u>	<u>337,342</u>	<u>339,592</u>	<u>2,250</u>
Fund Balance, Ending	<u>\$ 404,943</u>	<u>\$ 437,919</u>	<u>\$ 394,369</u>	<u>\$ (43,550)</u>
Appropriated Reserves				
Contingency	\$ 74,324	\$ 76,530	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>330,619</u>	<u>361,389</u>	N/A	N/A
	<u>\$ 404,943</u>	<u>\$ 437,919</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Montbello College Prep
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 3,133,745	\$ 3,404,884	\$ 3,427,933	\$ 23,049
District mill levy	318,114	368,225	385,606	17,381
Student activities	20,000	20,000	16,038	(3,962)
Grants and contributions	127,056	138,306	146,681	8,375
Investment income	40	40	104	64
Miscellaneous	-	-	150	150
Total local sources	<u>3,598,955</u>	<u>3,931,455</u>	<u>3,976,512</u>	<u>45,057</u>
State sources				
Grants	<u>88,600</u>	<u>127,841</u>	<u>137,452</u>	<u>9,611</u>
Total state sources	<u>88,600</u>	<u>127,841</u>	<u>137,452</u>	<u>9,611</u>
Federal sources				
Grants	<u>187,238</u>	<u>203,065</u>	<u>224,524</u>	<u>21,459</u>
Total revenues	<u>3,874,793</u>	<u>4,262,361</u>	<u>4,338,488</u>	<u>76,127</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Montbello College Prep
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	1,931,572	1,998,553	1,823,926	174,627
Employee benefits	455,033	490,998	398,623	92,375
Purchased professional services	55,750	50,250	47,251	2,999
Purchased property services	19,200	19,200	19,696	(496)
Other purchased services	1,162,150	1,262,246	1,308,544	(46,298)
Supplies and materials	135,200	172,200	176,671	(4,471)
Property and equipment	77,100	148,600	110,228	38,372
Miscellaneous	38,215	40,568	36,981	3,587
Total expenditures	<u>3,874,220</u>	<u>4,182,615</u>	<u>3,921,920</u>	<u>260,695</u>
Net Change in Fund Balance	573	79,746	416,568	336,822
Fund Balance, Beginning	<u>700,217</u>	<u>859,881</u>	<u>862,035</u>	<u>2,154</u>
Fund Balance, Ending	<u><u>\$ 700,790</u></u>	<u><u>\$ 939,627</u></u>	<u><u>\$ 1,278,603</u></u>	<u><u>\$ 338,976</u></u>
Appropriated Reserves				
Contingency	\$ 39,498	\$ -	N/A	N/A
Release of appropriated fund balance	75,000	-	N/A	N/A
Fund balance reserve	586,292	939,627	N/A	N/A
	<u><u>\$ 700,790</u></u>	<u><u>\$ 939,627</u></u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Montbello Collegiate High School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 1,147,285	\$ 1,044,344	\$ 1,051,497	\$ 7,153
District mill levy	122,250	126,529	130,685	4,156
Student activities	15,000	17,650	10,888	(6,762)
Grants and contributions	<u>345,700</u>	<u>353,000</u>	<u>319,406</u>	<u>(33,594)</u>
Total local sources	<u>1,630,235</u>	<u>1,541,523</u>	<u>1,512,476</u>	<u>(29,047)</u>
State sources				
Grants	<u>15,825</u>	<u>17,316</u>	<u>16,479</u>	<u>(837)</u>
Total state sources	<u>15,825</u>	<u>17,316</u>	<u>16,479</u>	<u>(837)</u>
Federal sources				
Grants	<u>49,238</u>	<u>56,672</u>	<u>91,267</u>	<u>34,595</u>
Total revenues	<u>1,695,298</u>	<u>1,615,511</u>	<u>1,620,222</u>	<u>4,711</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Montbello Collegiate High School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	708,510	677,785	666,823	10,962
Employee benefits	186,733	181,724	140,271	41,453
Purchased professional services	21,450	34,150	31,175	2,975
Purchased property services	17,500	17,500	9,240	8,260
Other purchased services	459,042	419,170	411,961	7,209
Supplies and materials	117,500	113,000	87,080	25,920
Property and equipment	96,325	69,536	71,500	(1,964)
Miscellaneous	14,384	13,364	2,489	10,875
Total expenditures	<u>1,621,444</u>	<u>1,526,229</u>	<u>1,420,539</u>	<u>105,690</u>
Net Change in Fund Balance	73,854	89,282	199,683	110,401
Fund Balance, Beginning	<u>-</u>	<u>5,075</u>	<u>5,075</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 73,854</u></u>	<u><u>\$ 94,357</u></u>	<u><u>\$ 204,758</u></u>	<u><u>\$ 110,401</u></u>
Appropriated Reserves				
Contingency	\$ 16,953	\$ 32,310	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>56,901</u>	<u>62,047</u>	N/A	N/A
	<u><u>\$ 73,854</u></u>	<u><u>\$ 94,357</u></u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Montbello Elementary School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 981,792	\$ 940,434	\$ 938,735	\$ (1,699)
District mill levy	210,381	222,942	226,012	3,070
Student activities	7,500	7,500	10,401	2,901
Grants and contributions	250,000	267,000	322,383	55,383
Miscellaneous	-	-	291	291
Total local sources	<u>1,449,673</u>	<u>1,437,876</u>	<u>1,497,822</u>	<u>59,946</u>
State sources				
Grants	<u>16,200</u>	<u>19,863</u>	<u>17,079</u>	<u>(2,784)</u>
Total state sources	<u>16,200</u>	<u>19,863</u>	<u>17,079</u>	<u>(2,784)</u>
Federal sources				
Grants	<u>163,177</u>	<u>293,382</u>	<u>329,438</u>	<u>36,056</u>
Total revenues	<u>1,629,050</u>	<u>1,751,121</u>	<u>1,844,339</u>	<u>93,218</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Montbello Elementary School
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	704,413	688,188	680,512	7,676
Employee benefits	199,166	196,521	140,516	56,005
Purchased professional services	23,350	36,850	35,078	1,772
Purchased property services	13,000	13,000	12,794	206
Other purchased services	420,085	436,780	421,001	15,779
Supplies and materials	112,000	147,500	155,164	(7,664)
Property and equipment	62,166	116,878	111,829	5,049
Miscellaneous	14,157	13,494	5,941	7,553
Total expenditures	<u>1,548,337</u>	<u>1,649,211</u>	<u>1,562,835</u>	<u>86,376</u>
Net Change in Fund Balance	80,713	101,910	281,504	179,594
Fund Balance, Beginning	<u>-</u>	<u>1,575</u>	<u>1,574</u>	<u>1</u>
Fund Balance, Ending	<u><u>\$ 80,713</u></u>	<u><u>\$ 103,485</u></u>	<u><u>\$ 283,078</u></u>	<u><u>\$ 179,593</u></u>
Appropriated Reserves				
Contingency	\$ 32,581	\$ 35,022	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>48,132</u>	<u>68,463</u>	N/A	N/A
	<u><u>\$ 80,713</u></u>	<u><u>\$ 103,485</u></u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Central Office
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
CMO Fee	\$ 1,324,518	\$ 1,354,902	\$ 1,368,685	13,783
Grants and contributions	1,334,000	1,510,000	1,739,418	229,418
Total local sources	<u>2,658,518</u>	<u>2,864,902</u>	<u>3,108,103</u>	<u>243,201</u>
Total revenues	<u>2,658,518</u>	<u>2,864,902</u>	<u>3,108,103</u>	<u>243,201</u>
Expenditures				
Current				
Salaries	1,597,730	1,593,866	1,518,485	75,381
Employee benefits	360,610	359,922	304,156	55,766
Purchased professional services	126,300	158,375	152,151	6,224
Purchased property services	65,470	87,552	68,372	19,180
Other purchased services	329,251	334,238	329,871	4,367
Supplies and materials	30,450	45,700	49,296	(3,596)
Property and equipment	10,000	16,000	27,190	(11,190)
Miscellaneous	65,000	197,350	199,959	(2,609)
Total expenditures	<u>2,584,811</u>	<u>2,793,003</u>	<u>2,649,480</u>	<u>143,523</u>
Net Change in Fund Balance	73,707	71,899	458,623	386,724
Fund Balance, Beginning	<u>102,854</u>	<u>118,741</u>	<u>118,739</u>	
Fund Balance, Ending	<u><u>\$ 176,561</u></u>	<u><u>\$ 190,640</u></u>	<u><u>\$ 577,362</u></u>	<u><u>\$ 386,724</u></u>
Appropriated Reserves				
Contingency	\$ 73,000	\$ 57,298	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>103,561</u>	<u>133,342</u>	N/A	N/A
	<u><u>\$ 176,561</u></u>	<u><u>\$ 190,640</u></u>		

**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, 2016, and the related notes to the Organization's financial statements, and have issued our report thereon dated October 31, 2016.

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
October 31, 2016

