

KIPP DENVER COLLEGIATE HIGH SCHOOL
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2013

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Board of Directors
KIPP Colorado Schools
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of KIPP Denver Collegiate High School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of KIPP Denver Collegiate High School, 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.

Auditors' 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. 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 auditors' judgement, 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 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 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 KIPP Denver Collegiate High School as of June 30, 2013, 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.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicates that the accompanying financial statements were prepared for the purpose of complying with a requirement of the Colorado Department of Education, present only KIPP Denver Collegiate High School, and are not intended to be a complete presentation of the financial position of KIPP Colorado Schools as of June 30, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of KIPP Colorado Schools as of and for the year ended June 30, 2013, and we expressed unmodified opinions on those financial statements in our report dated September 13, 2013.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of KIPP Colorado Schools, Denver School District, and the Colorado Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



December 13, 2013

KIPP Denver Collegiate

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2013

As management of KIPP Denver Collegiate, a KIPP Colorado School, we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of KIPP Denver Collegiate for the period from July 1, 2012 to June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements and footnotes.

Financial Highlights

The period from July 1, 2012 through June 30, 2013 covers the fourth year of operation for the School. The net position at the end of the year is \$446,687. The operations of the School 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 \$2,409,724 compared to \$2,311,441 the prior year.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

The statement of net position presents information on all the School'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 School is improving or deteriorating.

The statement of activities presents information showing how the School'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 (for example, salaries and benefits earned but unpaid as of June 30).

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 School 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

As noted previously, net position over time may serve as a useful indicator of the School's financial position. For the year ending June 30, 2013, the School's assets exceeded liabilities by \$446,687. Of these funds, \$91,948 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. Of the remaining balance, \$16,829 is restricted for Textbook use in the 2013-2014 school year in accordance with 2012 Mill Levy funding requirements. The remaining \$337,910 is unrestricted and available to meet the School's ongoing financial obligations.

| | | | 6/30/13 | 6/30/12 |
|-------------|-------------------|-----------------------------|------------------|------------------|
| Assets | | | | |
| | | Cash | \$417,310 | \$131,190 |
| | | Accounts Receivable | \$0 | \$121,130 |
| | | Grants Receivable | \$86,272 | \$128,862 |
| | | Prepaid Expenses | \$2,494 | \$7,392 |
| | | Cash held by DPS | \$59,102 | \$56,812 |
| | Total Assets | | \$565,178 | \$445,386 |
| Liabilities | | | | |
| | | Accounts Payable | \$118,491 | \$54,817 |
| | | Accrued Salaries & Benefits | \$0 | \$95,382 |
| | | Deferred Revenue | \$0 | \$10,000 |
| | Total Liabilities | | \$118,491 | \$160,199 |
| | Net Position | | | |
| | | Restricted (TABOR) | \$91,948 | \$74,175 |
| | | Restricted (Textbooks) | \$16,829 | \$0 |
| | | Unrestricted | \$337,910 | \$211,012 |
| | | TOTAL NET POSITION | \$446,687 | \$285,187 |

Change in Net Position

| | | | 6/30/13 | 6/30/12 |
|----------|----------------|--------------------------|----------------------|----------------------|
| Revenues | | | | |
| | | Charges for Services | \$40,480 | \$29,336 |
| | | Grants and Contributions | \$646,975 | \$500,328 |
| | | Per Pupil Revenue | \$2,409,724 | \$2,311,441 |
| | | Mill Levy | \$224,531 | \$30,817 |
| | | Capital Construction | \$14,860 | \$13,031 |
| | | Investment Earnings | \$136 | \$145 |
| | | Miscellaneous Income | <u>\$1,674</u> | <u>\$1,562</u> |
| | Total Revenue | | \$3,338,380 | \$2,886,660 |
| Expenses | | | | |
| | | Instruction | (\$2,037,185) | (\$1,602,714) |
| | | Support Services | <u>(\$1,139,695)</u> | <u>(\$1,153,061)</u> |
| | Total Expenses | | (\$3,176,880) | (\$2,755,775) |
| | | Change in Net Position | \$161,500 | \$130,885 |
| | | Net Position, Beginning | <u>\$285,187</u> | <u>\$154,302</u> |
| | | Net Position, Ending | \$446,687 | \$285,187 |
| | | | | |

The School's total enrollment for the year was 339 students. The School also received new Mill Levy revenue (an increase of approximately \$193,700) from the 2012 Mill Levy. Review of the School's liabilities at 6/30/13 shows no Accrued Salaries & Benefits. This change is explained by a change in payroll processing. Historically, the School processed payroll 30 days in arrears. In FY 12-13, the school eliminated the payroll in arrears schedule.

Financial Analysis of the School's Funds

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

As of June 30, 2013, the School's governmental fund reported an ending fund balance of \$446,687. This amount represents an increase of \$161,500 from the previous year.

General Fund Budgetary Highlights

KIPP Colorado Schools presents a consolidated budget comprised of three schools (KIPP Sunshine Peak Academy, KIPP Denver Collegiate, and KIPP Montbello College Prep) and the central management office to the board for monitoring and approval. Although the budget is approved at the consolidated level, the board does receive and review financial information at the school level. Please see the consolidated financials for additional detail on the budget.

Capital Asset and Debt Administration

Capital assets

The School had no capital assets.

Long-term debt

As of June 30, 2013, the School had no long-term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2012-2013 school year was 339. Enrollment for the 2013-2014 school year is 353. The School is aware of projected funding levels for fiscal 2013-2014 and budgets according to the current estimates provided by the Colorado Department of Education and Denver Public Schools.

BASIC FINANCIAL STATEMENTS

KIPP DENVER COLLEGIATE HIGH SCHOOL

STATEMENT OF NET POSITION

June 30, 2013

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|--|------------------------------------|
| ASSETS | |
| Cash | \$ 417,310 |
| Grants Receivable | 86,272 |
| Prepaid Expenses | 2,494 |
| Emergency Reserve Held by Denver School District | <u>59,102</u> |
| TOTAL ASSETS | <u>565,178</u> |
| LIABILITIES | |
| Accounts Payable | <u>118,491</u> |
| TOTAL LIABILITIES | <u>118,491</u> |
| NET POSITION | |
| Restricted for Textbooks | 16,829 |
| Restricted for Emergencies | 91,948 |
| Unrestricted | <u>337,910</u> |
| TOTAL NET POSITION | \$ <u><u>446,687</u></u> |

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) |
|--|---------------------|----------------------|------------------------------------|------------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | REVENUE AND CHANGE IN NET POSITION |
| | | | | GOVERNMENTAL ACTIVITIES |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| Instruction | \$ 2,037,185 | \$ 40,480 | \$ 232,083 | \$ (1,764,622) |
| Supporting Services | <u>1,139,695</u> | <u>-</u> | <u>84,892</u> | <u>(1,054,803)</u> |
| Total Governmental Activities | \$ <u>3,176,880</u> | \$ <u>40,480</u> | \$ <u>316,975</u> | <u>(2,819,425)</u> |
| GENERAL REVENUES | | | | |
| | | | | 2,409,724 |
| Per Pupil Revenue | | | | 224,531 |
| District Mill Levy | | | | 14,860 |
| Capital Construction | | | | |
| Grants and Contributions not Restricted to Specific Programs | | | | 330,000 |
| Investment Income | | | | 136 |
| Miscellaneous | | | | <u>1,674</u> |
| | | | | <u>2,980,925</u> |
| | | | | CHANGE IN NET POSITION |
| | | | | 161,500 |
| | | | | NET POSITION, Beginning |
| | | | | <u>285,187</u> |
| | | | | NET POSITION, Ending |
| | | | | \$ <u>446,687</u> |

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2013

| | <u>GENERAL</u> |
|--|-----------------------|
| ASSETS | |
| Cash | \$ 417,310 |
| Grants Receivable | 86,272 |
| Prepaid Items | 2,494 |
| Emergency Reserve Held by Denver School District | <u>59,102</u> |
| TOTAL ASSETS | <u>\$ 565,178</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts Payable | \$ <u>118,491</u> |
| TOTAL LIABILITIES | <u>118,491</u> |
| FUND BALANCE | |
| Nonspendable Prepaid Items | 2,494 |
| Restricted for Textbooks | 16,829 |
| Restricted for Emergencies | 91,948 |
| Unrestricted, Unassigned | <u>335,416</u> |
| TOTAL FUND BALANCE | <u>446,687</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 565,178</u> |

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2013

| | <u>GENERAL</u> |
|----------------------------|-------------------|
| REVENUES | |
| Local Sources | \$ 3,041,485 |
| State Sources | 25,284 |
| Federal Sources | <u>271,611</u> |
| TOTAL REVENUES | <u>3,338,380</u> |
| EXPENDITURES | |
| Instruction | 2,037,185 |
| Supporting Services | <u>1,139,695</u> |
| TOTAL EXPENDITURES | <u>3,176,880</u> |
| NET CHANGE IN FUND BALANCE | 161,500 |
| FUND BALANCE, Beginning | <u>285,187</u> |
| FUND BALANCE, Ending | <u>\$ 446,687</u> |

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

KIPP Colorado Schools was formed to operate charter schools as provided in the Colorado Charter Schools Act. KIPP Colorado Schools is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code. KIPP Denver Collegiate High School (the “School”) is a high school within KIPP Colorado Schools.

The financial statements present only the School, which is a requirement of the Colorado Department of Education. However, this is not intended to be a complete presentation of the financial statements of KIPP Colorado Schools in conformity with accounting principles generally accepted in the United States of America.

The accounting policies of the School 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 financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

Based on the application of this criteria, the School does not include additional organizations within its reporting entity.

KIPP Colorado Schools is a component unit of the Denver School District (the “District”). The District granted the charter and provides the majority of the funding to KIPP Colorado Schools.

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 School. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School 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. All other revenues are considered to be measurable and available only when cash is received by the School. 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 School's policy to use restricted resources first, and the unrestricted resources as they are needed.

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

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Assets, Liabilities and Net Position/Fund Balance

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 - Payments to vendors for services that will benefit subsequent years are reported as prepaid expenses.

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 School has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the School uses restricted fund balance first.

Risk Management

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Annually, the Board of Directors approves a budget for KIPP Colorado Schools as a whole. Therefore, budgetary information for the School is not presented in the financial statements.

NOTE 2: CASH AND INVESTMENTS

A summary of the School's cash at June 30, 2013, follows:

| | |
|---------------|--------------------------|
| Petty Cash | \$ 300 |
| Cash Deposits | <u>417,010</u> |
| Total | <u><u>\$ 417,310</u></u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School 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, 2013, the School had no investments.

KIPP DENVER COLLEGIATE HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3: PENSION PLAN

Defined Benefit Pension Plan

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

Funding Policy - The contribution requirements of the DPSD plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries for the past three years. Title 24, Article 51, Part 4 of the CRS, as amended, allowed the School to offset its contribution rates of 18.35%, 19.25% and 20.15% for calendar years 2011, 2012 and 2013, respectively, by an amount equal to the obligations of the District with respect to the outstanding PCOPs (See Note 4). As a result, the School's contribution rates for calendar years 2011, 2012 and 2013 were 3.63%, 3.88% and 5.64%, respectively. Also, a portion of the School's contribution (1.02% of covered salaries) was allocated to the Denver Public Schools Health Care Trust Fund (See Note 5). The School's contributions to the DPSD for the years ended June 30, 2013, 2012 and 2011 were \$73,011, \$49,336 and \$33,681, respectively, equal to the required contributions for each year.

NOTE 4: 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 3). For the years ended June 30, 2013, 2012 and 2011, the School contributed 11.36%, 12.21% and 10.39% of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2013, 2012 and 2011, the School contributed \$174,113, \$153,713 and \$116,021, respectively, to the District towards its PCOPs obligation.

NOTE 5: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

KIPP DENVER COLLEGIATE HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 5: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD members. No member contributions are required. The apportionment of the contributions to the HCTF are established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2013, 2012 and 2011 was \$16,508, \$13,202 and \$11,390, respectively, equal to the required amounts for each year.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

The School participates in a number of federal, state, and local 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 School may be required to reimburse the other government. At June 30, 2013, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2013, the District held \$59,102 on behalf of the School for this reserve. In addition, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$91,948.

Facility Use Agreement

KIPP Colorado Schools has approved facility use agreements with the District to utilize educational facilities owned by the District. For the year ended June 30, 2013, the School paid facility use fees of \$673 per student, which totaled \$229,534. The agreements require facility use fees of \$710 per student for the year ended June 30, 2014.