

**KIPP SUNSHINE PEAK ACADEMY**  
**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 Sunshine Peak Academy 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 Sunshine Peak Academy, 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 Sunshine Peak Academy 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 Sunshine Peak Academy, 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 Sunshine Peak Academy**

Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2013

As management of KIPP Sunshine Peak Academy, a KIPP Colorado School, we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of KIPP Sunshine Peak Academy 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 tenth year of operation for the School. The net position at the end of the year is \$1,486,632. 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 \$2,571,837 compared to \$2,549,428 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 \$1,486,632. Of these funds, \$95,686 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$408,134 is the Net Investment in Capital Assets. Accordingly, these funds are not available to satisfy general operating expenses of the School. Of the remaining balance, \$17,651 is restricted for Textbook use in the 2013-2014 school year in accordance with 2012 Mill Levy funding requirements. The remaining \$965,161 is unrestricted and available to meet the School's ongoing financial obligations.

			6/30/13	6/30/12
Assets				
		Cash and Investments	\$1,043,238	\$920,136
		Accounts Receivable	\$0	\$135,753
		Grants Receivable	\$104,307	\$39,556
		Prepaid Expenses	\$0	\$13,434
		Cash held by DPS	\$69,739	\$69,728
		Capital Assets, Net of Accumulated Depreciation	<u>\$557,443</u>	<u>\$590,232</u>
	Total Assets		\$1,774,727	\$1,768,839
Liabilities				
		Accounts Payable	\$138,786	\$147,048
		Accrued Salaries & Benefits	\$0	\$148,484
		Non-current Liabilities		
		Due within One Year	\$60,785	\$56,704
		Due in More than One Year	<u>\$88,524</u>	<u>\$149,309</u>
	Total Liabilities		\$288,095	\$501,545
	Net Position			
		Net Investment in Capital Assets	\$408,134	\$384,219
		Restricted (TABOR)	\$95,686	\$85,879
		Restricted (Textbooks)	\$17,651	\$0
		Unrestricted	<u>\$965,161</u>	<u>\$797,196</u>
		TOTAL NET POSITION	\$1,486,632	\$1,267,294

### Change in Net Position

			6/30/13	6/30/12
Revenues				
		Charges for Services	\$52,070	\$48,855
		Grants and Contributions	\$802,806	\$889,293
		Per Pupil Revenue	\$2,571,837	\$2,549,428
		Mill Levy	\$237,064	\$36,882
		Capital Construction	\$32,876	\$29,379
		Investment Earnings	\$2,549	\$3,661
		Miscellaneous Income	\$4,868	\$3,180
	Total Revenue		\$3,704,070	\$3,560,678
Expenses				
		Instruction	(\$2,255,491)	(\$2,183,311)
		Support Services	(\$1,216,666)	(\$1,210,376)
		Interest on Long Term Debt	(\$12,575)	(\$16,423)
	Total Expenses		(\$3,484,732)	(\$3,410,110)
		Change in Net Position	\$219,338	\$150,568
		Net Position, Beginning	\$1,267,294	\$1,116,726
		Net Position, Ending	\$1,486,632	\$1,267,294

The School's total enrollment for the year was 375 students. The School also received new Mill Levy revenue (an increase of approximately \$200,000) from the 2012 Mill Levy. Review of the School's liabilities at 6/30/13 shows that there were 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 \$1,078,498 (Net Position, Ending: \$1,486,632 less Capital Assets, Net of Accumulated Depreciation: \$557,443, plus long-term liabilities not reported in governmental funds: \$149,309). This amount represents an increase of \$195,423 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's capital assets consist of modular buildings and equipment (transportation vans). All equipment in 2012-2013 was fully depreciated and depreciation on buildings was \$32,789. Total capital asset value at June 30, 2013 net of depreciation was \$557,443.

### *Long-term debt*

As of June 30, 2013, the School had debt due within one year of \$60,785 for the modular buildings and total remaining debt in the amount of \$149,309.

## **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 375. Enrollment for the 2013-2014 school year is 376. 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 SUNSHINE PEAK ACADEMY

STATEMENT OF NET POSITION

June 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 1,043,238
Grants Receivable	104,307
Emergency Reserve Held by Denver School District	69,739
Capital Assets, Net of Accumulated Depreciation	<u>557,443</u>
<b>TOTAL ASSETS</b>	<u>1,774,727</u>
<b>LIABILITIES</b>	
Accounts Payable	138,786
Noncurrent Liabilities	
Due Within One Year	60,785
Due in More Than One Year	<u>88,524</u>
<b>TOTAL LIABILITIES</b>	<u>288,095</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	408,134
Restricted for Textbooks	17,651
Restricted for Emergencies	95,686
Unrestricted	<u>95,161</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,486,632</u>

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

KIPP SUNSHINE PEAK ACADEMY

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
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 2,255,491	\$ 39,498	\$ 421,400	\$ (1,794,593)
Supporting Services	1,216,666	12,572	262,160	(941,934)
Interest on Long-Term Debt	12,575	-	-	(12,575)
Total Governmental Activities	\$ <u>3,484,732</u>	\$ <u>52,070</u>	\$ <u>683,560</u>	<u>(2,749,102)</u>
GENERAL REVENUES				
				2,571,837
Per Pupil Revenue				237,064
District Mill Levy				32,876
Capital Construction				
Grants and Contributions not Restricted to Specific Programs				119,246
Investment Income				2,549
Miscellaneous				<u>4,868</u>
				<u>2,968,440</u>
				CHANGE IN NET POSITION
				219,338
				NET POSITION, Beginning
				<u>1,267,294</u>
				NET POSITION, Ending
				\$ <u><u>1,486,632</u></u>

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

KIPP SUNSHINE PEAK ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2013

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash	\$ 1,043,238
Grants Receivable	104,307
Emergency Reserve Held by Denver School District	69,739
<b>TOTAL ASSETS</b>	<b>\$ 1,217,284</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 138,786
<b>TOTAL LIABILITIES</b>	138,786
<b>FUND BALANCE</b>	
Restricted for Textbooks	17,651
Restricted for Emergencies	95,686
Unrestricted, Unassigned	965,161
<b>TOTAL FUND BALANCE</b>	1,078,498
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,217,284</b>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 1,078,498
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	557,443
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(149,309)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 1,486,632</b>

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

KIPP SUNSHINE PEAK ACADEMY

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 3,050,634
State Sources	138,915
Federal Sources	514,521
TOTAL REVENUES	3,704,070
EXPENDITURES	
Instruction	2,255,491
Supporting Services	1,183,877
Debt Service	
Principal	56,704
Interest	12,575
TOTAL EXPENDITURES	3,508,647
NET CHANGE IN FUND BALANCE	195,423
FUND BALANCE, Beginning	883,075
FUND BALANCE, Ending	\$ 1,078,498

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 195,423
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 amount represents depreciation expense in the current year.	(32,789)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. This amount represents principal payments in the current year.	56,704
Change in Net Position of Governmental Activities	\$ 219,338

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

KIPP SUNSHINE PEAK ACADEMY

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 Sunshine Peak Academy (the “School”) is a middle 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.

*Capital Assets* - Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School 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 value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements. Depreciation is provided over the following estimated useful lives of the capital assets using the straight-line method.

Equipment	4 - 5 years
Modular Buildings	25 years

KIPP SUNSHINE PEAK ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Long-Term Debt* - In the government-wide financial statements, long-term debt is 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 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.

**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>1,042,938</u>
Total	<u><b>\$ 1,043,238</b></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.



KIPP SUNSHINE PEAK ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**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.

**NOTE 3: CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2013, are summarized below.

	<u>Balance</u> <u>6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/13</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 61,795	\$ -	\$ -	\$ 61,795
Buildings	<u>819,767</u>	<u>-</u>	<u>-</u>	<u>819,767</u>
Total Capital Assets, Being Depreciated	<u>881,562</u>	<u>-</u>	<u>-</u>	<u>881,562</u>
Accumulated Depreciation				
Equipment	(61,795)	-	-	(61,795)
Buildings	<u>(229,535)</u>	<u>(32,789)</u>	<u>-</u>	<u>(262,324)</u>
Total Accumulated Depreciation	<u>(291,330)</u>	<u>(32,789)</u>	<u>-</u>	<u>(324,119)</u>
Total Capital Assets, Net	<u>\$ 590,232</u>	<u>\$ (32,789)</u>	<u>\$ -</u>	<u>\$ 557,443</u>

Depreciation expense was charged to the supporting services program of the School.

KIPP SUNSHINE PEAK ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2013:

	<u>Balance</u> <u>6/30/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/13</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Modular Loan	<u>\$ 206,013</u>	<u>\$ -</u>	<u>\$ 56,704</u>	<u>\$ 149,309</u>	<u>\$ 60,785</u>

In May 2005, the School entered into a loan agreement in the amount of \$500,000 to finance a portion of the purchase and construction of a modular building to be used as an education facility. The loan accrues interest at the rate of 6.875% per annum and is due in monthly payments of \$5,773, through October, 2015. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,785	\$ 8,491	\$ 69,276
2015	65,160	4,116	69,276
2016	<u>23,364</u>	<u>347</u>	<u>23,711</u>
Total	<u>\$ 149,309</u>	<u>\$ 12,954</u>	<u>\$ 162,263</u>

**NOTE 5: 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 6). 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 7). The School's contributions to the DPSD for the years ended June 30, 2013, 2012 and 2011 were \$78,487, \$62,772 and \$50,922, respectively, equal to the required contributions for each year.

KIPP SUNSHINE PEAK ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 6: PENSION CERTIFICATES OF PARTICIPATION**

The District issued Taxable Pension Certificates of Participation (PCOPs) to fully fund the unfunded actuarial accrued liability of its pension plan (See Note 5). For the years ended June 30, 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 \$181,176, \$207,324 and \$173,893, respectively, to the District towards its PCOPs obligation.

**NOTE 7: 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.

*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 \$18,082, \$17,065 and \$17,071, respectively, equal to the required amounts for each year.

**NOTE 8: 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 \$69,739 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 \$95,686.