

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Independent Auditor's Report and Financial Statements
June 30, 2022

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

June 30, 2022

KIPP Colorado Board of Directors

2021-2022

Board Chair	Jackie Hawkey
Treasurer	Steven Talley
Director	Pat Donovan
Director	Melissa Browne
Director	Luis Colon
Director	Khadija Haynes
Director	Jennifer Rocks
Director	Todd Ezrine
Director	Beth Toth

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2022

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	5
Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Fund	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	15
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of the Organization’s Proportionate Share of the Net Pension Liability	45
Schedule of the Organization’s Pension Contributions	46
Schedule of the Organization’s Proportionate Share of the Net OPEB Liability	47
Schedule of the Organization’s OPEB Contributions	48
Budgetary Comparison Schedule – Budgetary Basis General Fund	49
Notes to Required Supplementary Information.....	51

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
June 30, 2022

Supplementary Information

Combining Balance Sheet	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	55
Budgetary Comparison Schedule – KIPP Sunshine Peak Academy	57
Budgetary Comparison Schedule – KIPP Denver Collegiate High School.....	58
Budgetary Comparison Schedule – KIPP Northeast Denver Middle School.....	59
Budgetary Comparison Schedule – KIPP Northeast Denver Leadership Academy	60
Budgetary Comparison Schedule – KIPP Northeast Elementary School.....	61
Budgetary Comparison Schedule – KIPP Sunshine Peak Elementary	62
Budgetary Comparison Schedule – KIPP Central Office.....	63

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 <i>Government Auditing Standards</i> – Independent Auditor’s Report	64
---	-----------



1801 California Street, Suite 2900 / Denver, CO 80202

P 303.861.4545 / F 303.832.5705

forvis.com

Independent Auditor's Report

Board of Directors
KIPP Colorado Schools
Denver, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited 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 and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Colorado Schools (the Organization), as of June 30, 2022, 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.

Basis for Opinions

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

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Organization adopted GASB Statement Number 87, *Leases (GASB 87)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Board of Directors
KIPP Colorado Schools

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

Required Supplementary Information

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

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 combining balance sheet, combining schedule of revenues, expenditures and changes in fund balance, and budgetary comparison schedules are presented for purposes of additional analysis and are 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 combining balance sheet, combining schedule of revenues, expenditures and changes in fund balance, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
KIPP Colorado Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Organization’s 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.

FORVIS,LLP

Denver, Colorado
October 27, 2022

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

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, 2021 to June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements and footnotes.

Financial Highlights

- With the implementation of GASB 68 in Fiscal Years 2014-2015, the government-wide financial statements of the Organization, like those of all Colorado PERA participants, changed significantly. This change consisted of the inclusion of a net pension liability as well as deferred inflows of resources, deferred outflows of resources, and expenses related to the pension plan. While these line items are material and create an overall deficit in the financial presentation on the government-wide financial statements, the GASB standard only impacts the accounting presentation of these pension related items and does not impact the timing of the funding obligation of the Organization. A review of the governmental fund financial statements presents a more accurate depiction of the flow of funds for the Organization in the fiscal year. For further information on the GASB 68, see the attached statements and Note 5 in the Notes to the Financial Statements.
- The period from July 1, 2021 through June 30, 2022 covers the 20th year of operation for the Organization. The total fund balance at the end of the year according to the governmental fund balance sheet is \$12,212,101, a decrease of \$2,001,888 compared to the prior year.
- The net position at the end of the year according to the government-wide financial statements is \$4,772,879.
- The financial results of KIPP Colorado Schools under a government-wide accounting presentation are also materially impacted by the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Prior to the implementation of GASB 75, postemployment benefits (OPEB) was only reported in the notes disclosure section. With the implementation of GASB 75, postemployment benefits are reported in both the statement of net position and the statement of activities. As of June 30, 2022, KIPP Colorado Schools' net OPEB liability is \$227,596.
- For the Plan year ended December 31, 2021, the Collective Pension Expense of DPS division of Colorado PERA had a credit balance of \$176,258,000. KIPP Colorado School's pension credit is \$4,405,486 as of June 30, 2022. The net OPEB liability of DPS Health Care Trust Fund as of December 31, 2021 decreased by \$12,373,000 from the previous year resulting in a credit to KIPP Colorado School's OPEB expense of \$168,430 for the year ended June 30, 2022.
- In 2022, the Organization implemented the provisions of GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, the Organization is required to recognize a lease liability and an intangible right-to-use lease asset. As of June 30, 2022, the

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Organization has recorded a net right-to-use asset and lease liability of \$142,257 and \$150,269, respectively. There was no impact beginning net position of the Organization as a result of the implementation.

- 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 \$23,536,263 compared to \$21,190,826 in the prior year, the slight increase is due to an increase in the amount per student funding.
- The Organization operates six schools in addition to the Regional (School Services) Team: the original middle school in Southwest Denver (KIPP Sunshine Peak Academy, KSPA), a high school, also in Southwest Denver (KIPP Denver Collegiate, KDC), a second middle school in Green Valley Ranch (KIPP Northeast Denver Middle School, KNDMS), an elementary school which opened August 2016 in Green Valley Ranch (KIPP Northeast Elementary, KNE), a high school which opened August 2016 in Green Valley Ranch (KIPP Northeast Denver Leadership Academy, KNDLA), and an elementary school in Southwest Denver which opened August 2018 (KIPP Sunshine Peak Elementary, KSPE).

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 deferred outflows of resources and liabilities and deferred inflow of resources, 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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

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

At June 30, 2022, the Organization's assets and deferred outflows exceeded liabilities and deferred inflows by \$4,772,879 in the government-wide financial statements. Of the total net position, \$1,008,313 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$605,698 is restricted for capital construction and \$22,575 is the Net Investment in Capital Assets. Accordingly, this component of net position is not available to satisfy general operating expenses of the Organization.

Condensed Statement of Net Position

	2022	2021
Assets		
Current (noncapital)	\$ 14,463,211	\$ 15,983,924
Noncurrent (capital)	172,844	143,322
Total Assets	14,636,055	16,127,246
Deferred Outflows of Resources	5,758,200	8,828,975
Liabilities		
Current	2,251,110	1,769,935
Noncurrent liabilities		
Lease liability due within one year	76,252	-
Lease liability due more than one year	74,017	-
Net pension and OPEB liability	328,344	9,822,919
Total Liabilities	2,729,723	11,592,854
Deferred Inflows of Resources	12,891,653	11,041,347
Net Position		
Net investment in capital assets	22,575	143,322
Restricted for emergencies	1,008,313	944,010
Restricted for capital construction	605,698	473,797
Unrestricted deficit	3,136,293	760,891
Total Net Position	\$ 4,772,879	\$ 2,322,020

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Current assets decreased due to increased spending on COVID related expenses. The increase in current liabilities is due to timing of year-end invoices and the related last check run of the year. The decrease in pension/OPEB liabilities and deferred inflows is due to a change in the actuarial assumptions and other actuarial inputs.

Condensed Statement of Activities

	<u>2022</u>	<u>2021*</u>
Revenues		
Charges for services	\$ 82,712	\$ 10,219
Grants and contributions	7,442,148	6,998,141
Per pupil revenue	23,536,263	21,190,826
Mill levy	7,251,696	7,167,750
Forgiveness of long term debt	-	3,594,300
Investment income	15,902	1,375
Miscellaneous	312,415	208,163
	<u>38,641,136</u>	<u>39,170,774</u>
Total Revenues		
Expenses		
Instruction		
General	21,626,975	17,964,320
Allocation of GASB 68 and 75 expense (credit)	(2,370,212)	326,592
Supporting services		
General	18,264,124	15,444,659
Allocation of GASB 68 and 75 expense (credit)	(1,330,610)	182,331
	<u>36,190,277</u>	<u>33,917,902</u>
Total Expenses		
Change in Net Position	<u>2,450,859</u>	<u>5,252,872</u>
Net Position, Beginning of Year	<u>2,322,020</u>	<u>(2,930,852)</u>
Net Position, End of Year	<u>\$ 4,772,879</u>	<u>\$ 2,322,020</u>

* 2021 balances have not been restated for the implementation of GASB 87.

The overall decrease in total revenue when compared to prior year is due to FY21 having the PPP loan forgiven. Almost all other revenue sources increased from prior year. The increase in expenses was caused by the return to in-person learning during the 2021-2022 school year.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

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 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, 2022, the Organization's governmental fund reported an ending fund balance of \$12,212,100. This amount represents a decrease of \$2,001,889 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 \$43,813,035 for the year ended June 30, 2022. Actual budgetary expenditures were \$44,290,316.

There was one budget amendment during the year. This amendment incorporated the actual student count and related programming changes following the original budget approval in Spring 2022.

Actual expenditures exceeded budgetary expenditures by \$477,282.

Capital Asset and Debt Administration

Capital Assets

The Organization's capital assets consist of equipment (transportation vans). There was no depreciation on equipment in 2021-2022 as equipment was fully depreciated and depreciation on buildings was \$8,541. Total capital asset value at June 30, 2022, net of accumulated depreciation was \$30,587.

Lease Assets

The Organization's lease assets consist of building and equipment as a result of implementing GASB 87, *Leases*. Total lease asset value at June 30, 2022, net of accumulated amortization was \$142,257.

Long-term Debt

The Organization's lease liability is \$150,269 as a result of implementing GASB 87, *Leases*.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Organization is student enrollment. Enrollment for the 2021-2022 school year was 2,523. Enrollment for the 2022-2023 school year is projected to be 2,539, including 388 students for KIPP Sunshine Peak Academy, 475 students for KIPP Denver Collegiate High School, 457 students for KIPP Northeast Denver Middle School, 494 students for KIPP Northeast Elementary, 558 students for KIPP Northeast Denver Leadership Academy and 167 students at KIPP Sunshine Peak Elementary. The Organization is aware of projected funding levels for fiscal 2022-2023 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, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,212,659
Grants receivable	65,911
Prepaid expenses	184,641
Capital assets, net of accumulated depreciation	30,587
Lease assets, net of accumulated amortization	142,257
Total assets	14,636,055
Deferred Outflows of Resources	
Pension plan	5,458,809
OPEB	299,391
	5,758,200
Liabilities	
Accounts payable	1,415,300
Accrued liabilities	825,810
Unearned revenue	10,000
Noncurrent liabilities	
Lease liability due within one year	76,252
Due in more than one year	
Lease liability due more than one year	74,017
Net pension liability	100,748
Net OPEB liability	227,596
Total liabilities	2,729,723
Deferred Inflows of Resources	
Pension plan	12,511,091
OPEB	380,562
	12,891,653
Net Position	
Net investment in capital assets	22,575
Restricted for emergencies	1,008,313
Restricted for capital construction	605,698
Unrestricted	3,136,293
Total net position	\$ 4,772,879

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	
Primary Government					
Governmental activities					
Instruction	\$ 21,626,975	\$ 82,712	\$ 105,000	\$ -	\$ (21,439,263)
GASB 68 pension expense	(2,260,732)	-	291,234	-	2,551,966
GASB 75 OPEB expense (credit)	(109,480)	-	-	-	109,480
Supporting services	18,264,124	-	810,578	-	(17,453,546)
GASB 68 pension expense	(1,271,660)	-	163,819	-	1,435,479
GASB 75 OPEB expense (credit)	(58,951)	-	-	-	58,951
Total governmental activities	<u>\$ 36,190,277</u>	<u>\$ 82,712</u>	<u>\$ 1,370,631</u>	<u>\$ -</u>	<u>(34,736,934)</u>
General Revenues					
					23,536,263
					7,251,696
					6,071,517
					15,902
					312,415
					<u>37,187,793</u>
					Change in Net Position
					2,450,859
					<u>2,322,020</u>
					Net Position, Beginning
					<u>\$ 4,772,879</u>
					Net Position, Ending

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet – Governmental Fund
June 30, 2022

	General Fund
Assets	
Cash and cash equivalents	\$ 14,212,659
Grants receivable	65,911
Prepaid expenditures	<u>184,641</u>
Total assets	<u><u>\$ 14,463,211</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 1,415,300
Accrued liabilities	825,810
Unearned revenue	<u>10,000</u>
Total liabilities	<u>2,251,110</u>
Fund Balance	
Nonspendable prepaid expenditures	184,641
Restricted for emergencies	1,008,313
Restricted for capital construction	605,698
Unrestricted, unassigned	<u>10,413,449</u>
Total fund balance	<u>12,212,101</u>
Total liabilities and fund balance	<u><u>\$ 14,463,211</u></u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet – Governmental Fund (continued)
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance of the governmental fund	\$ 12,212,101
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	30,587
Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	142,257
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund	(12,891,653)
Deferred outflows of resources are not financial resources and, therefore, are not reported in the fund	5,758,200
The net OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental fund	(227,596)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund	(100,748)
Long-term lease liabilities are not due and payable in the current period and, therefore, is not reported in the governmental fund	<u>(150,269)</u>
Total net position of governmental activities	<u><u>\$ 4,772,879</u></u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund
Balance – Governmental Fund
Year Ended June 30, 2022

	General Fund
Revenues	
Local sources	\$ 32,121,664
State sources	1,906,783
Federal sources	<u>4,157,635</u>
Total revenues	<u>38,186,082</u>
 Expenditures	
Current	
Instruction	21,788,457
Supporting services	<u>18,399,513</u>
Total expenditures	<u>40,187,970</u>
 Net Change in Fund Balance	 (2,001,888)
 Fund Balance, Beginning	 <u>14,213,989</u>
 Fund Balance, Ending	 <u><u>\$ 12,212,101</u></u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund
Balance – Governmental Fund (continued)
Year Ended June 30, 2022

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Net change in fund balance of the governmental fund \$ (2,001,888)

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 and loss on disposals in
the current period.

Depreciation expense	(8,541)
Loss on disposal	<u>(104,194)</u>

Excess of capital outlay expense over depreciation	<u>(112,735)</u>
--	------------------

Lease amortization expense not included in the fund	(143,812)
Repayment of lease liability which does not affect the Statement of Activities	135,800

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

OPEB (expense) credit	168,430
Pension (expense) credit	<u>4,405,064</u>

Change in net position of governmental activities	<u><u>\$ 2,450,859</u></u>
---	----------------------------

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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 two elementary schools, two middle schools and two high schools in Denver Public Schools (the District).

The accounting policies of the Organization conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the Statement of Net Position and the Statement of Activities) report information on all activities of the Organization. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues. A management fee has been charged by the Organization to each of the charter schools. This fee has been eliminated upon consolidation.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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 tax revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year if they are expected to be received within one year. All other revenues are considered to be measurable and available only when cash is received by the Organization. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

General Fund

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

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

Receivables

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

Prepaid Expenses

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

Capital Assets

Capital assets, which include vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Organization as assets with an initial, individual cost of \$10,000 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 acquisition value at the date of donation.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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 building improvements	10-25 years

Lease Assets

The Organization has recorded right-to-use lease assets as a result of implementing GASB Statement No 87, *Leases*, in the government-wide financial statements. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease asset into service. The right-to-use assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources are consumptions of net position that are applicable to a future reporting period and deferred inflows of resources are acquisitions of net position that are applicable to a future reporting period. Both are reported in the Statement of Net Position but are not recognized in the financial statements as revenues and expenses until the periods(s) to which they relate. Refer to Note 5 and Note 7 for information on deferred outflows/inflows or resources related to pensions and OPEB, respectively.

Accrued Liabilities

Accrued liabilities represents unused vacation leave which is expected to be used in the year in which it was earned but may be accumulated and carried over to specified limits. Total unused vacation leave liability is due within one year.

Unearned Revenues

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

Long-term Debt

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

Lease Liability

The Organization has recorded a lease liability related to the right-to-use lease assets as a result of implementing GASB Statement No 87, *Leases*, in the government-wide financial statements. The lease liability is calculated as the present value of the remaining lease payments expected to be paid/received during the lease term. The Organization recognizes lease liabilities with an initial individual value of \$10,000 or more.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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 2022, 2021, or 2020.

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

Budgets and Budgetary Accounting

Annually, the Board of Directors adopts a budget for the Organization as a whole, on a basis consistent with generally accepted accounting principles.

A proposed budget is submitted to the Board of Directors for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. Revisions that alter the total expenditures must be approved by the Board of Directors. All appropriations lapse at fiscal year-end.

Actual expenditures for the year ending June 30, 2022 exceeded budgetary expenditures by \$477,282 which may be in violation of budgetary requirements.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Adoption of New Accounting Standards

During the year ended June 30, 2022, the Organization adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Organization has applied the provisions of this standard to the beginning of the period of adoption for which there was no impact on net position.

Note 2: Cash and Investments

Cash and investments at June 30, 2022, consisted of the following:

Deposits

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

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

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

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

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

At June 30, 2022, the Organization’s deposit balances consisted of the following:

Description	Carrying Amount	Bank Balance	Amount Covered Under PDPA
Bank accounts	<u>\$ 5,091,163</u>	<u>\$ 5,091,163</u>	<u>\$ 4,841,163</u>

Investments

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. 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.

- 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, 2022, the Organization had \$9,121,496 invested in the Vanguard Federal Money Market Fund and is valued at NAV. The Vanguard Federal Money Market Fund invests in U.S. government securities and seeks to provide current income and preserve shareholders’ principal investment by maintaining a share price of \$1. The fund generally invests 100% of its assets in governmental securities.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2022 are summarized below.

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets being depreciated				
Vehicles and equipment	\$ 204,557	\$ -	\$ -	\$ 204,557
Building Improvements	136,563	-	(136,563)	-
Buildings	884,518	-	-	884,518
	<u>1,225,638</u>	<u>-</u>	<u>(136,563)</u>	<u>1,089,075</u>
Total capital assets				
Less accumulated depreciation				
Vehicles and equipment	(204,557)	-	-	(204,557)
Building improvements	(32,369)	-	32,369	-
Buildings	(845,390)	(8,541)	-	(853,931)
	<u>(1,082,316)</u>	<u>(8,541)</u>	<u>32,369</u>	<u>(1,058,488)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>\$ 143,322</u>	<u>\$ (8,541)</u>	<u>\$ (104,194)</u>	<u>\$ 30,587</u>

Depreciation expense was charged to the instructional and supporting services programs in the amounts of \$1,869 and \$6,672, respectively.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

The Organization has two types of right-to-use leased assets for the year ended June 30, 2022. These assets are right-to-use assets for leased building space and printers. The related leases are discussed in the long-term liability disclosure. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases. As a result of the implementation of GASB 87, *Leases*, \$286,069 in lease assets for leases has been added to the beginning balance presented below. Right-to-use asset activity for the Organization for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Lease Assets - Building	\$ 141,211	\$ -	\$ -	\$ 141,211
Lease Assets - Equipment	<u>144,858</u>	<u>-</u>	<u>-</u>	<u>144,858</u>
	286,069	-	-	286,069
Less accumulated amortization				
Lease Assets - Building	-	(39,299)	-	(39,299)
Lease Assets - Equipment	<u>-</u>	<u>(104,513)</u>	<u>-</u>	<u>(104,513)</u>
Total accumulated amortization	<u>-</u>	<u>(143,812)</u>	<u>-</u>	<u>(143,812)</u>
Total lease assets being amortized, net	<u>\$ 286,069</u>	<u>\$ (143,812)</u>	<u>\$ -</u>	<u>\$ 142,257</u>

Amortization expense was charged to the instructional and supporting services programs in the amounts of \$31,470 and \$122,342, respectively.

Note 4: Long-term Liabilities

The Organization has entered into two types of agreements to lease building space and printers. The lease liabilities have been recorded at the present value of the future minimum lease payments as of the date of their inception. The lease liabilities are measured using an incremental borrowing rate of 6% which represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term. There are no variable payment components to any of the leases. A building office space agreement was executed on May 1, 2020, to lease 1,500 rentable square feet of building space that terminates on April 30, 2025. The monthly rent shall be in the amount of \$2,838 from May 1, 2020 to April 30, 2021. Monthly rent will then increase by approximately 2.18 % annually. An administrative fee of \$25 a month is charged each month of the lease. On August 1, 2021, the Organization entered into a second agreement to lease additional office space at the existing building. The monthly rent shall be in the amount of \$332.69 from August 1, 2021 to April 30, 2025. Monthly rent will then increase by approximately 2.18 % annually. The Organization also has multiple lease agreements outstanding for printers in use at various locations. The agreements were executed between July 26, 2019 and December 26, 2020, and have a term of 39 months. As a result of these leases, the Organization has a right-to-use asset with a net book value of \$142,257 for the year ended June 30, 2022.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

	Principal	Interest
2023	\$ 76,562	\$ 6,151
2024	38,650	3,371
2025	35,057	972
	\$ 150,269	\$ 10,494

As a result of implementation of *GASB 87, Leases*, \$286,069 in lease liabilities for leases of buildings and equipment has been added to the beginning balance presented below. Long-term liability activity for the year ended June 30, 2022, is shown in the table below:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year
Lease liabilities	\$ 286,069	\$ -	\$ 135,800	\$ 150,269	\$ 76,252
Total lease liabilities	\$ 286,069	\$ -	\$ 135,800	\$ 150,269	\$ 76,252

Note 5: Defined Benefit Pension Plan

The Organization participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension plan 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 (FNP) and additions to/deductions from the FNP 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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

General Information about the Pension Plan

Plan Description

Eligible employees of the Organization are provided with pensions through the DPS Division—a single-employer defined benefit pension plan administered by PERA. 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2021

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% 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% 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% or 100% 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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients of the DPS benefit structure, and eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the DPS Division. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Contribution Provisions as of June 30, 2022

Eligible employees, the Organization and the State are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements for the DPS Division are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

	January 1, 2021 Through June 30, 2021	January 1, 2022 Through June 30, 2022
Employer Contribution Rate	10.90%	10.90%
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 ¹ Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	(12.09%)	(11.47%)
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
	<u>5.50%</u>	<u>5.50%</u>
 Total Employer Contribution Rate to the DPS Division	<u>7.79%</u>	<u>8.41%</u>

¹ To conform with this presentation of contribution rates, the 2020 annual PCOP offset of 12.50 percent has been adjusted based on the portion of the PCOP offset used to satisfy employer contribution requirements.

** Contribution rates for the DPS Division 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 \$1,564,011 for the year ended June 30, 2022.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the DPS Division and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the DPS Division was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. The Organization proportion of the net pension liability was based on the Organization contributions to the DPS Division for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the Organization reported a liability of \$100,748 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Organization as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Organization were as follows:

The Organization's proportionate share of the net pension liability	<u>\$ 100,748</u>
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Organization	<u>29,577</u>
Total	<u>\$ 130,325</u>

At December 31, 2021, the Organization's proportion was 1.69%, which was a decrease of 0.39 percentage points from its proportion measured as of December 31, 2020.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

For the year ended June 30, 2022, the Organization recognized pension expense (credit) of \$2,841,575 which equals contributions of \$1,564,011 plus the GASB 68 expense (credit) of \$4,405,586. The pension expense (credit) was offset by revenue and expense in the Governmental Fund of \$418,039 and (\$873,092) in the Statement of Activities for support from the State as a nonemployer contributing entity. At June 30, 2022, 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	\$ 860,243	\$ -
Changes of assumptions or other inputs	1,050,400	-
Net difference between projected and actual earnings on pension plan investments	-	9,844,000
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,697,054	2,667,091
Contributions subsequent to the measurement date	851,112	-
Total	\$ 5,458,809	\$ 12,511,091

\$851,112 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 ended June 30, 2022. 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
2023	\$ (1,305,816)
2024	(2,541,357)
2025	(2,868,882)
2026	(1,187,339)
	\$ (7,903,394)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.80 - 11.50%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	1.00% compounded annually
PERA benefit structure hired after December 31, 2006 ¹	Financed by the Annual Increase Reserve

¹ Post-retirement benefit increases are provided by the AIR, account separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of those benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions were based on the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the PubT-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

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

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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 for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect 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 for the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

- The AIR balance was excluded from the initial FNP, 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. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the DPS Division’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
Proportionate share of the net pension liability	\$ 9,713,691	\$ 100,748	\$ (7,836,423)

Pension Plan Fiduciary Net Position

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

Note 6: Pension Certificates of Participation

The District issued Taxable Pension Certificates of Participation (PCOPs) to fully fund the unfunded actuarial accrued liability of its pension plan (see Note 5). For the years ended June 30, 2022, 2021 and 2020, the Organization contributed 8.51%, 8.67%, and 9.54% of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2022, 2021 and 2020, the Organization contributed \$1,590,589, \$1,523,826 and \$1,487,855, respectively, to the District for its PCOPs obligation.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Note 7: Defined Benefit Other Postemployment Benefit (OPEB)

Summary of Significant Accounting Policies

The Organization participates in the Denver Public Schools Health Care Trust Fund (DPS HCTF), a single-employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado (PERA). In accordance with GASB 75, the Organization reports its proportion in the plan as if it was a cost-sharing plan. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the DPS HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description

Eligible employees of the Organization are provided with OPEB through the DPS HCTF—a single-employer defined benefit OPEB plan administered by PERA. The DPS HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The DPS HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the Health Care Trust Fund (HCTF) and the DPS HCTF. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the DPS HCTF. PERA reporting agencies of the DPS Division are required to contribute at a rate of 1.02% of PERA-includable salary into the DPS HCTF.

Employer contributions are recognized by the DPS HCTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions. Employer contributions recognized by the DPS HCTF from the Organization were \$190,596 for the year ended June 30, 2022.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Organization reported a liability of \$227,596 for its proportionate share of the net OPEB liability. The net OPEB liability for the DPS HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The Organization's proportion of the net OPEB liability was based on the Organization's contributions to the DPS HCTF for the calendar year 2021 relative to the total contributions of participating employers to the DPS HCTF.

At December 31, 2021, the Organization's proportion was 2.16 percent, which was a decrease of 0.75 percentage points from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Organization recognized OPEB expense of \$22,166, which equals contributions of \$190,596 less the GASB 75 expense (credit) of \$168,430.

At June 30, 2022, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 206,522
Changes of assumptions or other inputs	22	27,652
Net difference between projected and actual earnings on OPEB plan investments	-	123,243
Changes in proportion and differences between the contributions recognized and proportionate share of contributions	202,118	23,145
Contributions subsequent to the measurement date	97,251	-
	<u>299,391</u>	<u>380,562</u>
Total	<u>\$ 299,391</u>	<u>\$ 380,562</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

\$97,251 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2023	\$ (28,899)
2024	(40,215)
2025	(37,682)
2026	(37,093)
2027	(25,228)
Thereafter	(9,304)
	\$ (178,421)

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.80%-11.50%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	4.50% in 2021
	6.00% in 2022
	gradually decreasing to
	4.50% in 2029
Medicare Part A premiums	3.75% in 2021, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point. In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Prescription	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	\$ 596	\$ 199	\$ 562

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total OPEB liability used in the December 31, 2020, valuation for the DPS Division as shown below are applied, as applicable, in the determination of the total OPEB liability for the DPS HCTF, but developed using a headcount-weighted basis. Reporting agencies of the DPS Division participate in the DPS HCTF.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

The following health care costs assumptions were updated and used in the roll forward calculation for the DPS HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board’s actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	<u>100.00%</u>	

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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

Sensitivity of the Organization’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 227,575	\$ 227,596	\$ 227,640

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- 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 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the DPS HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

Based on the above assumptions and methods, the projection test indicates the DPS HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Sensitivity of the Organization’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
Proportionate share of the net OPEB liability	\$ 364,405	\$ 227,596	\$ 110,931

OPEB Plan Fiduciary Net Position

Detailed information about the DPS HCTF’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 8: Commitments, Contingencies and Compliance

Claims and Judgments

The Organization participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Organization may be required to reimburse the other government. At June 30, 2022, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Organization.

Litigation

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

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2022

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% of qualifying expenditures. At June 30, 2022, the reserve reported as restricted net position/fund balance totaled \$1,008,313.

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, 2022, the Organization paid facility use fees of \$848.69 per student. The agreements require facility use fees of \$820.60 per student for the year ending June 30, 2023.

Public School Financial Transparency Act

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

Required Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Proportionate
Share of the Net Pension Liability
Years Ended December 31,

	2021	2020	2019	2018	2017	2016	2015	2014
KIPP Colorado Schools' proportion of the net pension liability	1.69%	2.08%	1.49%	1.30%	1.73%	1.40%	1.16%	0.99%
KIPP Colorado Schools' proportionate share of the net pension liability	\$ 100,748	\$ 9,347,302	\$ 9,810,691	\$ 13,320,800	\$ 15,464,601	\$ 15,296,531	\$ 9,436,078	\$ 6,169,284
KIPP Colorado Schools' covered payroll	\$ 18,279,108	\$ 16,361,096	\$ 16,108,644	\$ 14,355,677	\$ 11,692,177	\$ 9,226,932	\$ 7,257,631	\$ 5,821,424
KIPP Colorado Schools' proportionate share of the net pension liability as a percentage of its covered payroll	0.55%	57.13%	60.90%	92.79%	132.26%	165.78%	130.02%	105.98%
Plan fiduciary net position as a percentage of the total pension liability	99.87%	90.14%	84.73%	75.69%	79.51%	74.05%	79.30%	83.94%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,564,011	\$ 1,309,559	\$ 1,041,606	\$ 844,271	\$ 580,235	\$ 348,523	\$ 161,457	\$ 141,702
Contributions in relation to the contractually required contribution	<u>1,564,011</u>	<u>1,309,559</u>	<u>1,041,606</u>	<u>844,271</u>	<u>580,235</u>	<u>348,523</u>	<u>161,457</u>	<u>141,702</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP Colorado Schools' covered payroll	<u>\$ 18,685,911</u>	<u>\$ 17,521,985</u>	<u>\$ 16,146,969</u>	<u>\$ 15,735,795</u>	<u>\$ 12,916,078</u>	<u>\$ 10,418,324</u>	<u>\$ 8,138,698</u>	<u>\$ 6,361,937</u>
Contributions as a percentage of covered payroll	8.37%	7.47%	6.45%	5.37%	4.49%	3.35%	1.98%	2.23%

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

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Proportionate
Share of the Net OPEB Liability
Year Ended December 31,

	2021	2020	2019	2018	2017
KIPP Colorado Schools' proportion of the net OPEB liability	2.16%	2.91%	2.15%	1.98%	1.72%
KIPP Colorado Schools' proportionate share of the net OPEB liability	\$ 227,596	\$ 475,617	\$ 791,600	\$ 893,017	\$ 876,686
KIPP Colorado Schools' covered payroll	\$ 18,279,108	\$ 16,361,096	\$ 16,108,644	\$ 14,355,677	\$ 11,692,177
KIPP Colorado Schools' proportionate share of the net OPEB liability as a percentage of its covered payroll	1.25%	2.91%	4.91%	6.22%	7.50%
Plan fiduciary net position as a percentage of the total OPEB liability	83.93%	65.43%	46.98%	34.72%	30.45%

Note: Information is not available prior to 2017. 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 OPEB Contributions
Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 190,596	\$ 178,724	\$ 164,699	\$ 160,505	\$ 131,744
Contributions in relation to the contractually required contribution	<u>190,596</u>	<u>178,724</u>	<u>164,699</u>	<u>160,505</u>	<u>131,744</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP Colorado Schools' covered payroll	<u>\$ 18,685,911</u>	<u>\$ 17,521,985</u>	<u>\$ 16,146,969</u>	<u>\$ 15,735,795</u>	<u>\$ 12,916,078</u>
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

Note: Information is not available prior to 2018. 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 – Budgetary Basis
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 22,503,362	\$ 23,343,624	\$ 23,536,263	\$ 192,639
District mill levy	6,823,240	7,189,396	7,251,696	62,300
Student activities	52,000	48,250	82,712	34,462
Food service fees	7,000	-	-	-
Grants and contributions	1,635,000	1,543,390	922,676	(620,714)
Investment income	25,000	5,000	15,902	10,902
Intercompany	4,397,346	4,520,384	4,520,384	-
Miscellaneous	1,214,054	810,793	312,415	(498,378)
Total local sources	<u>36,657,002</u>	<u>37,460,837</u>	<u>36,642,048</u>	<u>(818,789)</u>
State sources				
Grants	<u>758,886</u>	<u>483,874</u>	<u>1,488,745</u>	<u>1,004,871</u>
Federal sources				
Grants	<u>4,604,157</u>	<u>4,457,063</u>	<u>4,157,635</u>	<u>(299,428)</u>
Total revenues	<u>42,020,045</u>	<u>42,401,774</u>	<u>42,288,428</u>	<u>(113,346)</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule – Budgetary Basis
General Fund (continued)
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	19,382,047	20,208,293	20,309,280	(100,987)
Employee benefits	5,452,409	5,456,594	5,288,179	168,415
Purchased professional services	1,663,627	3,477,758	3,752,983	(275,225)
Purchased property services	627,986	699,906	1,021,355	(321,449)
Other purchased services	6,033,016	6,060,838	6,356,122	(295,284)
Supplies and materials	1,455,666	1,931,434	2,471,089	(539,655)
Property and equipment	954,750	463,114	276,493	186,621
Intercompany	4,397,346	4,520,384	4,520,384	-
Miscellaneous	2,053,198	994,714	294,431	700,283
Total expenditures	<u>42,020,045</u>	<u>43,813,035</u>	<u>44,290,316</u>	<u>(477,282)</u>
Net Change in Fund Balance	-	(1,411,261)	(2,001,888)	(590,628)
Fund Balance, Beginning	<u>13,827,914</u>	<u>13,827,914</u>	<u>14,213,989</u>	<u>386,075</u>
Fund Balance, Ending	<u><u>\$ 13,827,914</u></u>	<u><u>\$ 12,416,653</u></u>	<u><u>\$ 12,212,101</u></u>	<u><u>\$ (204,553)</u></u>
Appropriated Reserves				
Contingency	\$ 1,090,451	\$ -	N/A	N/A
Release of appropriated fund balance	-	1,411,261	N/A	N/A
Fund balance reserve	<u>12,737,463</u>	<u>12,416,653</u>	N/A	N/A
	<u><u>\$ 13,827,914</u></u>	<u><u>\$ 13,827,914</u></u>		
Reconciliation of Non-GAAP Budgetary Basis to Actual GAAP Basis				
Fund balance, ending budgetary basis	\$ 12,212,101			
Less special funding situation revenue	(418,039)			
Plus special funding situation expenditure	418,039			
Less intercompany revenues	(4,520,384)			
Plus intercompany expenditures	<u>4,520,384</u>			
Fund balance, ending GAAP basis	<u><u>\$ 12,212,101</u></u>			

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Required Supplementary Information
Year Ended June 30, 2022

Note 1: Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

A proposed budget is submitted to the Board of Directors for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

As stipulated in state statutes, expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Actual expenditures exceeded budgetary expenditures by \$477,282.

All appropriations lapse at fiscal year-end.

Note 2: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

2021 Changes in Plan Provisions and Assumptions or Other Inputs Since 2020

Defined Benefit Pension Plan

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
 - Member contribution rates increase by 0.50%
 - Employer contribution rates increase by 0.50%
 - Annual Increase (AI) cap is lowered from 1.25 % per year to 1.00% per year
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter
- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Required Supplementary Information (continued)
Year Ended June 30, 2022

2020 Changes in Plan Provisions and Assumptions or Other Inputs Since 2019

Defined Benefit Pension Plan

- House Bill (HB) 20-1379, enacted on June 29, 2020, suspended the \$225 million direct distribution payable on July 1, 2020 for the State's 2020-2021 fiscal year
- Price inflation assumption decreased from 2.40% per year to 2.30% per year
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year
- Real wage growth decreased from 1.10% to 0.07%

Defined Benefit Other Postemployment Benefit

- There were no changes made to the plan provisions
- Price inflation assumption decreased from 2.40% per year to 2.30% per year
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year
- Real wage growth decreased from 1.10% to 0.07%

Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet
June 30, 2022

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Northeast Denver Middle School	KIPP Northeast Denver Leadership Academy	KIPP Northeast Elementary School
Assets					
Cash and investments	\$ 1,756,648	\$ 2,215,821	\$ 1,740,012	\$ 3,131,903	\$ 1,823,950
Grants receivable	1,844	(5,325)	2,637	2,744	2,503
Inter-entity receivable	14,076,282	4,503,787	5,588,235	5,450,150	4,241,400
Prepaid expenditures	164,438	321	-	-	-
Total assets	<u>\$ 15,999,212</u>	<u>\$ 6,714,604</u>	<u>\$ 7,330,884</u>	<u>\$ 8,584,797</u>	<u>\$ 6,067,853</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 116,665	\$ 150,738	\$ 78,661	\$ 162,379	\$ 60,403
Inter-entity payable	13,023,124	5,119,500	5,876,531	5,667,896	4,562,102
Accrued liabilities	94,956	136,880	104,221	152,845	92,137
Unearned revenue	-	-	-	-	-
Total liabilities	<u>13,234,745</u>	<u>5,407,118</u>	<u>6,059,413</u>	<u>5,983,120</u>	<u>4,714,642</u>
Fund Balance					
Nonspendable prepaid expenditures	164,438	321	-	-	-
Restricted for emergencies	140,323	188,719	174,353	217,279	195,220
Restricted for capital construction	65,740	177,008	80,012	72,846	95,338
Unrestricted, unassigned	2,393,966	941,438	1,017,106	2,311,552	1,062,653
Total fund balance	<u>2,764,467</u>	<u>1,307,486</u>	<u>1,271,471</u>	<u>2,601,677</u>	<u>1,353,211</u>
Total liabilities and fund balance	<u>\$ 15,999,212</u>	<u>\$ 6,714,604</u>	<u>\$ 7,330,884</u>	<u>\$ 8,584,797</u>	<u>\$ 6,067,853</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet (continued)
June 30, 2022

	KIPP Sunshine Peak Elementary	Central Office	Eliminations	Total
Assets				
Cash and investments	\$ (697,853)	\$ 4,242,178	\$ -	\$ 14,212,659
Grants receivable	69,485	(7,977)	-	65,911
Inter-entity receivable	3,671,706	22,007,539	(59,539,099)	-
Prepaid expenditures	426	19,456	-	184,641
	<u>3,043,764</u>	<u>26,261,196</u>	<u>(59,539,099)</u>	<u>14,463,211</u>
Total assets	<u>\$ 3,043,764</u>	<u>\$ 26,261,196</u>	<u>\$ (59,539,099)</u>	<u>\$ 14,463,211</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 178,118	\$ 668,336	\$ -	\$ 1,415,300
Inter-entity payable	3,218,741	22,071,205	(59,539,099)	-
Accrued liabilities	42,939	201,832	-	825,810
Unearned revenue	-	10,000	-	10,000
	<u>3,439,798</u>	<u>22,951,373</u>	<u>(59,539,099)</u>	<u>2,251,110</u>
Total liabilities	<u>3,439,798</u>	<u>22,951,373</u>	<u>(59,539,099)</u>	<u>2,251,110</u>
Fund Balance				
Nonspendable prepaid expenditures	426	19,456	-	184,641
Restricted for emergencies	65,782	26,637	-	1,008,313
Restricted for capital construction	114,754	-	-	605,698
Unrestricted, unassigned	(576,996)	3,263,730	-	10,413,449
	<u>(396,034)</u>	<u>3,309,823</u>	<u>-</u>	<u>12,212,101</u>
Total fund balance	<u>(396,034)</u>	<u>3,309,823</u>	<u>-</u>	<u>12,212,101</u>
Total liabilities and fund balance	<u>\$ 3,043,764</u>	<u>\$ 26,261,196</u>	<u>\$ (59,539,099)</u>	<u>\$ 14,463,211</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, 2022

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Northeast Denver Middle School	KIPP Northeast Denver Leadership Academy	KIPP Northeast Elementary School
Revenues					
Local sources	\$ 4,553,717	\$ 6,158,131	\$ 5,407,980	\$ 6,937,795	\$ 6,135,434
State sources	179,730	201,886	469,838	373,381	440,463
Federal sources	829,767	830,551	681,135	943,784	692,175
Total revenues	<u>5,563,214</u>	<u>7,190,568</u>	<u>6,558,953</u>	<u>8,254,960</u>	<u>7,268,072</u>
Expenditures					
Current					
Instruction	3,271,205	4,025,110	4,247,986	4,303,085	3,911,688
Supporting services	2,555,632	3,135,336	2,850,360	3,346,849	2,862,520
Total expenditures	<u>5,826,837</u>	<u>7,160,446</u>	<u>7,098,346</u>	<u>7,649,934</u>	<u>6,774,208</u>
Net Change in Fund Balance	(263,623)	30,122	(539,393)	605,026	493,864
Fund Balance, Beginning	<u>3,028,090</u>	<u>1,277,364</u>	<u>1,810,864</u>	<u>1,996,651</u>	<u>859,347</u>
Fund Balance, Ending	<u>\$ 2,764,467</u>	<u>\$ 1,307,486</u>	<u>\$ 1,271,471</u>	<u>\$ 2,601,677</u>	<u>\$ 1,353,211</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, 2022

	KIPP Sunshine Peak Elementary	Central Office	Eliminations	Total
Revenues				
Local sources	\$ 2,040,696	\$ 5,408,295	\$ (4,520,384)	\$ 32,121,664
State sources	180,869	60,616	-	1,906,783
Federal sources	198,239	(18,016)	-	4,157,635
	<u>2,419,804</u>	<u>5,450,895</u>	<u>(4,520,384)</u>	<u>38,186,082</u>
Expenditures				
Current				
Instruction	1,991,155	38,228	-	21,788,457
Supporting services	1,210,758	6,958,442	(4,520,384)	18,399,513
	<u>3,201,913</u>	<u>6,996,670</u>	<u>(4,520,384)</u>	<u>40,187,970</u>
Net Change in Fund Balance	(782,109)	(1,545,775)	-	(2,001,888)
Fund Balance, Beginning	<u>386,075</u>	<u>4,855,598</u>	<u>-</u>	<u>14,213,989</u>
Fund Balance, Ending	<u>\$ (396,034)</u>	<u>\$ 3,309,823</u>	<u>\$ -</u>	<u>\$ 12,212,101</u>

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Sunshine Peak Academy
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 3,533,486	\$ 3,565,870	\$ 3,595,849	\$ 29,979
District mill levy	862,173	992,044	934,845	(57,199)
Student activities	-	-	11,650	11,650
Food service fees	7,000	-	-	-
Investment income	-	-	11,373	11,373
Miscellaneous	12,752	12,752	-	(12,752)
Total local sources	<u>4,415,411</u>	<u>4,570,666</u>	<u>4,553,717</u>	<u>(16,949)</u>
State sources				
Grants	<u>84,570</u>	<u>209,130</u>	<u>179,730</u>	<u>(29,400)</u>
Total state sources	<u>84,570</u>	<u>209,130</u>	<u>179,730</u>	<u>(29,400)</u>
Federal sources				
Grants	<u>806,902</u>	<u>841,292</u>	<u>829,767</u>	<u>(11,525)</u>
Total revenues	<u>5,306,883</u>	<u>5,621,088</u>	<u>5,563,214</u>	<u>(57,874)</u>
Expenditures				
Current				
Salaries	2,362,633	2,637,161	2,720,793	(83,632)
Employee benefits	686,665	708,892	759,300	(50,408)
Purchased professional services	258,287	356,231	348,128	8,103
Purchased property services	28,275	39,325	79,954	(40,629)
Other purchased services	1,465,684	1,482,222	1,506,640	(24,418)
Supplies and materials	175,160	302,660	358,489	(55,829)
Property and equipment	49,500	36,500	49,457	(12,957)
Miscellaneous	7,500	7,500	4,076	3,424
Total expenditures	<u>5,033,704</u>	<u>5,570,491</u>	<u>5,826,837</u>	<u>(256,346)</u>
Net Change in Fund Balance	273,179	50,597	(263,623)	(314,220)
Fund Balance, Beginning	<u>3,028,090</u>	<u>3,028,090</u>	<u>3,028,090</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,301,269</u>	<u>\$ 3,078,687</u>	<u>\$ 2,764,467</u>	<u>\$ (314,220)</u>
Appropriated Reserves				
Contingency	\$ 273,180	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>3,028,089</u>	<u>3,078,687</u>	N/A	N/A
	<u>\$ 3,301,269</u>	<u>\$ 3,078,687</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Denver Collegiate High School
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 4,572,558	\$ 4,661,225	\$ 4,699,321	\$ 38,096
District mill levy	1,331,090	1,388,718	1,439,813	51,095
Student activities	5,000	2,000	11,902	9,902
Grants and contributions	-	-	6,280	6,280
Investment income	-	-	815	815
Miscellaneous	49,694	49,694	-	(49,694)
Total local sources	<u>5,958,342</u>	<u>6,101,637</u>	<u>6,158,131</u>	<u>56,494</u>
State sources				
Grants	<u>100,908</u>	<u>98,041</u>	<u>201,887</u>	<u>103,846</u>
Total state sources	<u>100,908</u>	<u>98,041</u>	<u>201,887</u>	<u>103,846</u>
Federal sources				
Grants	<u>976,937</u>	<u>905,925</u>	<u>830,551</u>	<u>(75,374)</u>
Total revenues	<u>7,036,187</u>	<u>7,105,603</u>	<u>7,190,569</u>	<u>84,966</u>
Expenditures				
Current				
Salaries	3,134,276	3,243,276	3,369,272	(125,996)
Employee benefits	898,449	842,013	893,672	(51,659)
Purchased professional services	180,365	330,770	312,010	18,760
Purchased property services	60,428	64,428	41,795	22,633
Other purchased services	1,980,023	1,988,357	2,027,023	(38,666)
Supplies and materials	163,728	261,228	389,039	(127,811)
Property and equipment	230,750	179,843	80,897	98,946
Miscellaneous	35,000	35,000	46,739	(11,739)
Total expenditures	<u>6,683,019</u>	<u>6,944,915</u>	<u>7,160,447</u>	<u>(215,532)</u>
Net Change in Fund Balance	353,168	160,688	30,122	(130,566)
Fund Balance, Beginning as Revised	<u>1,277,364</u>	<u>1,277,364</u>	<u>1,277,364</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,630,532</u></u>	<u><u>\$ 1,438,052</u></u>	<u><u>\$ 1,307,486</u></u>	<u><u>\$ (130,566)</u></u>
Appropriated Reserves				
Contingency	\$ 353,166	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>1,277,366</u>	<u>1,438,052</u>	N/A	N/A
	<u><u>\$ 1,630,532</u></u>	<u><u>\$ 1,438,052</u></u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Denver Middle School
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 4,174,830	\$ 4,314,905	\$ 4,350,661	\$ 35,756
Other revenue	-	252,929	-	(252,929)
District mill levy	982,333	1,036,404	1,042,363	5,959
Student activities	-	10,500	10,632	132
Investment income	-	-	3,714	3,714
Miscellaneous	172,207	172,207	610	(171,597)
Total local sources	<u>5,329,370</u>	<u>5,786,945</u>	<u>5,407,980</u>	<u>(378,965)</u>
State sources				
Grants	<u>103,368</u>	<u>35,199</u>	<u>469,838</u>	<u>434,639</u>
Total state sources	<u>103,368</u>	<u>35,199</u>	<u>469,838</u>	<u>434,639</u>
Federal sources				
Grants	<u>964,441</u>	<u>832,096</u>	<u>681,135</u>	<u>(150,961)</u>
Total revenues	<u>6,397,179</u>	<u>6,654,240</u>	<u>6,558,953</u>	<u>(95,287)</u>
Expenditures				
Current				
Salaries	2,999,895	3,264,868	3,214,853	50,015
Employee benefits	826,310	912,803	947,530	(34,727)
Purchased professional services	215,556	231,556	355,397	(123,841)
Purchased property services	49,365	55,465	124,657	(69,192)
Other purchased services	1,861,396	1,847,848	1,965,733	(117,885)
Supplies and materials	212,851	262,699	403,773	(141,074)
Property and equipment	68,000	44,000	37,743	6,257
Miscellaneous	35,000	35,000	48,660	(13,660)
Total expenditures	<u>6,268,373</u>	<u>6,654,239</u>	<u>7,098,346</u>	<u>(444,107)</u>
Net Change in Fund Balance	128,806	1	(539,393)	(539,394)
Fund Balance, Beginning	<u>1,810,864</u>	<u>1,810,864</u>	<u>1,810,864</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,939,670</u>	<u>\$ 1,810,865</u>	<u>\$ 1,271,471</u>	<u>\$ (539,394)</u>
Appropriated Reserves				
Contingency	\$ 128,807	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>1,810,863</u>	<u>1,810,865</u>	N/A	N/A
	<u>\$ 1,939,670</u>	<u>\$ 1,810,865</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Denver Leadership Academy
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 4,960,285	\$ 5,168,157	\$ 5,211,838	\$ 43,681
District mill levy	1,435,884	1,498,025	1,520,430	22,405
Student activities	25,000	20,000	31,296	11,296
Food service fees	-	15,000	-	
Miscellaneous	186,534	186,534	174,231	(12,303)
Total local sources	<u>6,607,703</u>	<u>6,887,716</u>	<u>6,937,795</u>	<u>65,079</u>
State sources				
Grants	118,457	47,871	373,381	325,510
Total state sources	<u>118,457</u>	<u>47,871</u>	<u>373,381</u>	<u>325,510</u>
Federal sources				
Grants	958,910	973,583	943,784	(29,799)
Total revenues	<u>7,685,070</u>	<u>7,909,170</u>	<u>8,254,960</u>	<u>360,790</u>
Expenditures				
Current				
Salaries	3,502,060	3,638,060	3,323,681	314,379
Employee benefits	967,213	838,900	911,859	(72,959)
Purchased professional services	334,024	248,929	211,639	37,290
Purchased property services	71,691	63,691	61,516	2,175
Other purchased services	2,328,265	2,552,623	2,665,173	(112,550)
Supplies and materials	260,576	283,576	413,567	(129,991)
Property and equipment	81,000	59,000	20,071	38,929
Miscellaneous	37,903	37,903	42,428	(4,525)
Total expenditures	<u>7,582,732</u>	<u>7,722,682</u>	<u>7,649,934</u>	<u>72,748</u>
Net Change in Fund Balance	102,338	186,488	605,026	433,538
Fund Balance, Beginning	<u>1,996,651</u>	<u>1,996,651</u>	<u>1,996,651</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 2,098,989</u>	<u>\$ 2,183,139</u>	<u>\$ 2,601,677</u>	<u>\$ 433,538</u>
Appropriated Reserves				
Contingency	\$ 102,338	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>1,996,651</u>	<u>2,183,139</u>	N/A	N/A
	<u>\$ 2,098,989</u>	<u>\$ 2,183,139</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Elementary School
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 4,043,652	\$ 4,392,736	\$ 4,428,104	\$ 35,368
Other revenue	-	73,119	-	(73,119)
District mill levy	1,574,608	1,643,620	1,683,217	39,597
Student activities	15,000	15,000	17,232	2,232
Miscellaneous	7,640	7,640	6,881	(759)
Total local sources	<u>5,640,900</u>	<u>6,132,115</u>	<u>6,135,434</u>	<u>3,319</u>
State sources				
Grants	<u>274,579</u>	<u>32,462</u>	<u>440,463</u>	<u>408,001</u>
Total state sources	<u>274,579</u>	<u>32,462</u>	<u>440,463</u>	<u>408,001</u>
Federal sources				
Grants	<u>708,132</u>	<u>705,106</u>	<u>692,175</u>	<u>(12,931)</u>
Total revenues	<u>6,623,611</u>	<u>6,869,683</u>	<u>7,268,072</u>	<u>398,389</u>
Expenditures				
Current				
Salaries	2,996,579	3,272,651	3,332,146	(59,495)
Employee benefits	864,630	921,689	959,360	(37,671)
Purchased professional services	157,720	187,000	161,271	25,729
Purchased property services	46,597	46,597	47,616	(1,019)
Other purchased services	1,882,594	1,944,082	1,876,210	67,872
Supplies and materials	336,743	399,263	335,913	63,350
Property and equipment	78,000	66,000	29,180	36,820
Miscellaneous	32,400	32,400	32,512	(112)
Total expenditures	<u>6,395,263</u>	<u>6,869,682</u>	<u>6,774,208</u>	<u>95,474</u>
Net Change in Fund Balance	228,348	1	493,864	493,863
Fund Balance, Beginning	<u>859,347</u>	<u>859,347</u>	<u>859,347</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,087,695</u>	<u>\$ 859,348</u>	<u>\$ 1,353,211</u>	<u>\$ 493,863</u>
Appropriated Reserves				
Contingency	\$ 228,349	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>859,346</u>	<u>859,348</u>	N/A	N/A
	<u>\$ 1,087,695</u>	<u>\$ 859,348</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Sunshine Peak Elementary
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	\$ 1,218,551	\$ 1,240,731	\$ 1,250,490	\$ 9,759
Other revenue	-	626,514	-	(626,514)
District mill levy	637,152	630,585	631,028	443
Student activities	7,000	750	-	(750)
Grants and contributions	600,000	215,000	-	(215,000)
Miscellaneous	5,000	5,000	53,359	48,359
Total local sources	<u>2,467,703</u>	<u>2,718,580</u>	<u>1,934,877</u>	<u>(783,703)</u>
State sources				
Grants	<u>77,004</u>	<u>61,171</u>	<u>285,869</u>	<u>224,698</u>
Total state sources	<u>77,004</u>	<u>61,171</u>	<u>285,869</u>	<u>224,698</u>
Federal sources				
Grants	<u>188,835</u>	<u>199,061</u>	<u>199,058</u>	<u>(3)</u>
Total revenues	<u>2,733,542</u>	<u>2,978,812</u>	<u>2,419,804</u>	<u>(559,008)</u>
Expenditures				
Current				
Salaries	1,373,888	1,437,888	1,405,548	32,340
Employee benefits	379,556	405,651	408,026	(2,375)
Purchased professional services	63,650	136,987	186,823	(49,836)
Purchased property services	242,130	300,450	397,902	(97,452)
Other purchased services	454,725	138,340	431,530	(293,190)
Supplies and materials	137,215	194,845	313,909	(119,064)
Property and equipment	78,000	61,671	26,389	35,282
Miscellaneous	2,980	2,980	31,786	(28,806)
Total expenditures	<u>2,732,144</u>	<u>2,678,812</u>	<u>3,201,913</u>	<u>(523,101)</u>
Net Change in Fund Balance	1,398	300,000	(782,109)	(1,082,109)
Fund Balance, Beginning	<u>386,075</u>	<u>386,075</u>	<u>386,075</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 387,473</u>	<u>\$ 686,075</u>	<u>\$ (396,034)</u>	<u>\$ (1,082,109)</u>
Appropriated Reserves				
Contingency	\$ 1,399	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>386,074</u>	<u>686,075</u>	N/A	N/A
	<u>\$ 387,473</u>	<u>\$ 686,075</u>		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Central Office
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
CMO Fee	\$ 5,166,092	\$ 5,341,048	\$ 4,520,384	\$ (820,664)
Grants and contributions	1,035,000	1,328,390	810,577	(517,813)
Investment income	25,000	5,000	-	(5,000)
Miscellaneous	11,480	-	77,334	77,334
Total local sources	<u>6,237,572</u>	<u>6,674,438</u>	<u>5,408,295</u>	<u>(1,266,143)</u>
Federal sources				
Grants	-	-	(18,016)	(18,016)
Total revenues	<u>6,237,572</u>	<u>6,674,438</u>	<u>5,450,895</u>	<u>(1,223,543)</u>
Expenditures				
Current				
Salaries	3,012,716	2,714,389	2,942,987	(228,598)
Employee benefits	829,586	826,646	826,471	175
Purchased professional services	454,025	1,986,285	2,177,715	(191,430)
Purchased property services	129,500	129,950	267,915	(137,965)
Other purchased services	457,675	327,748	404,197	(76,449)
Supplies and materials	169,393	227,163	256,399	(29,236)
Property and equipment	369,500	16,100	32,756	(16,656)
Miscellaneous	811,965	843,930	88,230	755,700
Total expenditures	<u>6,234,360</u>	<u>7,072,211</u>	<u>6,996,670</u>	<u>75,541</u>
Net Change in Fund Balance	3,212	(397,773)	(1,545,775)	(1,148,002)
Fund Balance, Beginning	<u>4,855,598</u>	<u>4,855,598</u>	<u>4,855,598</u>	-
Fund Balance, Ending	<u>\$ 4,858,810</u>	<u>\$ 4,457,825</u>	<u>\$ 3,309,823</u>	<u>\$ (1,148,002)</u>
Appropriated Reserves				
Contingency	\$ 3,212	\$ -	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	<u>4,855,598</u>	<u>4,457,825</u>	N/A	N/A
	<u>\$ 4,858,810</u>	<u>\$ 4,457,825</u>		

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*

Independent Auditor's Report

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, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated October 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
KIPP Colorado Schools

Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS, LLP

Denver, Colorado
October 27, 2022