

**THE CHILDREN'S KIVA MONTESSORI
CHARTER SCHOOL, INC.**

**BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016



RECEIVED

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As management of The Children's Kiva Montessori Charter School (CKCMS) also known as Children's Kiva Montessori School (CKMS or the "school"), we offer readers of Children's Kiva Montessori School's financial statements this narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2016.

These financial statements are the presentation of the completion of our second year. Management would like to take this opportunity to commend the staff, students, families and Board members on our second year as a public charter school.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Children's Kiva Montessori School's basic financial statements. Children's Kiva Montessori School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The school is a 501(c)(3) non-profit corporation engaged in a single governmental program.

Government-Wide Financial Statements - the government-wide financial statements are designed to provide readers with a broad overview of Children's Kiva Montessori School's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of Children's Kiva Montessori School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating. The Statement of Activities presents information showing how Children's Kiva Montessori School's net position changed during the most recent fiscal year. 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 this statement for some items that will only result in cash flows in future periods.

In the Statement of Net Position and the Statement of Activities, we present the school using only one kind of activity.

Governmental activities - all the School's day-to-day activities are reported here.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The school, like other non-profits, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Children's Kiva Montessori School uses governmental funds only.

A governmental fund is a fund that focuses on how money flows into and out of that fund and the balance left at year-end. Year-end balances may include monies that are non-spendable, restricted, committed, assigned or unassigned. This classification of fund balance shows the nature and extent of constraints placed on the School's fund balance by law, creditors and the School's annually adopted budget. Unassigned fund balance is available for spending for any purpose. A governmental fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. Governmental funds focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governmental entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government's near-term financing decisions. Other expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 12 through 30 of this report.

Supplementary Information - Supplementary information is contained on pages 31 through 33 and provides additional insight into how Children's Kiva Montessori School's actual operations compared to the budgeted operations.

Government-Wide Financial Analysis - Children's Kiva Montessori School's primary source of revenue is the state equalization revenue from the Colorado Department of Education. These revenues are based on a per pupil allocation as determined by the Colorado State Legislature. The state per pupil revenue allocation was \$6,964 for the year ended June 30, 2016. Children's Kiva Montessori School had an enrollment of 85 first through sixth graders and 25 Kindergarten students. The school received State per pupil funding in the amount of \$692,940 during the 2015-2016 school year.

Children's Kiva Montessori School was also the recipient of a three-year start-up grant from the Colorado Department of Education. During the 2015-2016 school year our school received funding for the Start Up Grant in the amount of \$191,500. This startup grant expired at the end of the 2015-2016 school year. Other sources of revenue include donations, student fees and smaller program-specific State and Federal grants. As Children's Kiva Montessori School continues to increase student numbers in all grade levels, the instructional, administrative and facilities expenses will increase proportionately. During the 2015-2016 school year, Children's Kiva Montessori School employed 8 full-time and 8 part-time staff members.

As noted previously, Children's Kiva Montessori School uses governmental fund accounting to ensure and demonstrate the compliance with finance-related legal requirements. The focus of the school's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Children's Kiva Montessori School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Condensed Balance Sheet -
June 30,

	<u>2016</u>	<u>2015</u>
Current and other assets	<u>\$104,529</u>	<u>\$83,823</u>
Total Assets	<u>\$104,529</u>	<u>\$83,823</u>
Other Liabilities	<u>\$46,729</u>	<u>\$29,129</u>
Total Liabilities	<u>46,729</u>	<u>29,129</u>
Net Assets:		
Restricted	23,000	13,500
Non-Spendable	4,000	2,850
Unrestricted	<u>30,800</u>	<u>38,344</u>
Net Assets	<u>57,800</u>	<u>54,694</u>
Total Liabilities and Net Assets	<u>\$104,529</u>	<u>\$83,823</u>

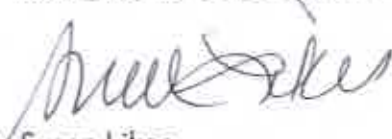
Condensed Statement of Revenue, Expenditures and Changes in Fund Balance -
Year Ended June 30.

Revenues		
Per Pupil Revenues	\$692,940	\$438,759
Other General Revenues	<u>337,409</u>	<u>417,281</u>
Total Revenues	<u>1,030,349</u>	<u>856,040</u>
Expenses		
Instruction	631,678	568,601
Supporting Services	<u>395,565</u>	<u>236,768</u>
Total Expenses	<u>1,027,243</u>	<u>805,369</u>
Net Change in Fund Balance	3,106	50,671
Beginning Fund Balance	<u>54,694</u>	<u>4,023</u>
Ending Fund Balance	<u>\$57,800</u>	<u>\$54,694</u>

Tabor Reserve - The Taxpayers Bill of Rights law requires governmental entities to reserve 3% of its state revenues. Accordingly, a reserve for fund balance in the amount of \$23,000 has been established in these financials.

Request for Information

This financial report is designed to provide a general overview of the schools financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office at PO Box 1417, Cortez, Colorado 81321.



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Kiva Montessori Charter School, Inc.
Cortez, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Children's Kiva Montessori Charter School, Inc., as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The Children's Kiva Montessori Charter School, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Children's Kiva Montessori Charter School, Inc., as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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



BASIC FINANCIAL STATEMENTS

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 99,801
Accounts receivable	728
Prepaid expenses	2,000
Other current assets	2,000
Capital assets, net of accumulated depreciation	<u>123,358</u>
Total Assets	<u>227,887</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Difference between projected and actual investment earnings on pension plan	<u>279,209</u>
Total Deferred Outflows of Resources	<u>279,209</u>
LIABILITIES:	
Accounts payable	559
Accrued expenses	46,170
Noncurrent liabilities	
Due in one year	1,989
Due in more than one year	<u>967,546</u>
Total Liabilities	<u>1,016,264</u>
DEFERRED INFLOWS OF RESOURCES:	
Difference between expected and actual experience on pension plan	<u>13,710</u>
Total Deferred Inflows of Resources	<u>13,710</u>
NET POSITION (DEFICIT):	
Investment in capital assets, net of related debt	123,358
Restricted for TABOR	23,000
Unrestricted	<u>(669,236)</u>
Total Net Position (Deficit)	<u>\$ (522,878)</u>

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>REVENUE AND CHANGE IN NET POSITION (DEFICIT)</u>
Governmental Activities:					
Instructional	\$ 591,028	\$ 43,128	\$ -	\$ -	\$ (547,900)
Supporting services	<u>435,978</u>	<u>-</u>	<u>212,050</u>	<u>25,720</u>	<u>(198,208)</u>
Total Governmental Activities	<u>1,027,006</u>	<u>43,128</u>	<u>212,050</u>	<u>25,720</u>	<u>(746,108)</u>
		GENERAL REVENUES:			
					692,969
					Fundraising 6,381
					Investment revenue 41
					<u>699,391</u>
					TOTAL GENERAL REVENUES
					CHANGE IN NET POSITION (46,717)
					NET POSITION, Beginning (476,161)
					<u>\$ (522,878)</u>
					NET POSITION (DEFICIT), Ending

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2016

	<u>General Fund</u>
ASSETS:	
Cash	\$ 99,801
Accounts receivable	728
Prepaid expenses	2,000
Other current assets	<u>2,000</u>
Total Assets	<u>\$ 104,529</u>
LIABILITIES:	
Accounts payable	\$ 559
Accrued expenses	<u>46,170</u>
Total Liabilities	<u>46,729</u>
FUND BALANCE:	
Nonspendable	4,000
Restricted for TABOR	23,000
Unassigned	<u>30,800</u>
Total Fund Balance	<u>57,800</u>
Total Liabilities and Fund Balance	<u>\$ 104,529</u>

Amounts reported for Governmental Activities in the Statement of Net Position (Deficit) are different because:

Fund Balance - Governmental Fund	\$ 57,800
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	123,358
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	279,209
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(969,535)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(13,710)</u>
Net Position (Deficit) - Governmental Activities	<u>\$ (522,878)</u>

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>
REVENUES:	
Local sources	\$ 54,651
Other financing sources	50,000
State and Federal sources	<u>925,698</u>
Total Revenues	<u>1,030,349</u>
EXPENDITURES:	
Current	
Instructional	631,678
Supporting services	<u>395,565</u>
Total Expenditures	<u>1,027,243</u>
Net Change in Fund Balance	3,106
FUND BALANCE, Beginning	<u>54,694</u>
FUND BALANCE, Ending	<u><u>\$ 57,800</u></u>

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**
YEAR ENDED JUNE 30, 2016

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance - Governmental Fund	\$	3,106
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.</p>		
		97,255
<p>Governmental funds report loan proceeds as revenue less the principle payments. However, in the statement of activities, only the interest paid is recorded as an expense. This is the amount by which loan proceeds less principle payments exceed the interest expense in the current year.</p>		
		(52,677)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
		<u>(94,401)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(46,717)</u></u>

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Children's Kiva Montessori Charter School, Inc. (CKMCS or the School), a Colorado non-profit corporation, was created in 2014 for the sole purpose of developing and operating a public, free charter school located in Cortez, Colorado.

The School aims to provide a vibrant and engaging learning environment based on the teachings of Dr. Maria Montessori that supports all students' excellence and their ability to become empowered, creative, lifelong learners responsible for themselves, their community, and their environment.

CKMCS complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requirements have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

All activities of the School are included in the basic financial statements. CKMCS does not have any component units over which it exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with CKMCS.

The School received its charter from the Montezuma County (Cortez) School District RE-1 in regards to all reporting to and funding from the Colorado Department of Education. The School is included as a discreetly presented component unit of Montezuma County (Cortez) School District RE-1.

CKMCS is managed under the direction of the Board of Directors. All Directors have been elected, appointed, or designated.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position (Deficit) and Statements of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which CKMCS has none). The statements distinguish between governmental and business-type activities (of which CKMCS has no business-type activities). Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued):

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not included among program revenue are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary (of which CKMCS has no proprietary and fiduciary funds). An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.
- b. Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance / Net Position (Deficit)

Cash:

For the purpose of both the government-wide and fund financial statements, "cash" includes the checking and savings accounts for CKMCS.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, grants receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available.

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. Expenditures are reported in the year in which the services are consumed.

Capital Assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. CKMCS' policy is to capitalize all capital assets with a unit value of \$1,000 or greater. Repairs and maintenance expenses are charged as expenditures when incurred.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position (Deficit). Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Capital assets are depreciated over their estimated useful lives of five years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Note Payable, bank:

CKMCS entered into a note payable with a financial institution for the purchase of computer equipment. The terms of the loan include the required Tabor clause whereas allowing for all the obligations of the School to be subject to the action of the general assembly of the State of Colorado in annually making moneys available for the School, and the School's obligations under the loan terms are not deemed or construed as creating an indebtedness of the School within the meaning of any provision of the state constitution or the laws of the State of Colorado concerning or limiting the creations of indebtedness by the School and shall constitute a multiple fiscal year direct or indirect debt or other financial obligation of the School within the meaning of Section 20(4) of article X of the state constitution.

Pensions:

CKMCS participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using 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.

Fund Balance / Net Position (Deficit) Classifications:

Government-wide Statements:

Net position (deficit) is classified in the following categories:

Investment in capital assets – This classification includes capital assets net of accumulated depreciation.

Restricted for TABOR – This classification includes the TABOR Reserve Fund which requires CKMCS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance / Net Position (Deficit) Classifications (Continued):

Unrestricted – This classification includes net assets that have not been restricted for other purposes.

CKMCS may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CKMCS' policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Statements:

Fund balances are classified in the following categories:

Nonspendable – This classification includes all assets which are not expected to convert to cash.

Restricted for TABOR – This classification includes the TABOR Reserve Fund which requires CKMCS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance / Net Position (Deficit) Classifications (Continued):

CKMCS would typically use Restricted fund balances first, followed by Committed resources (if any), and then Assigned resources (if any), as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of the basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget and Budgetary Accounting

The budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

The School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Cash

As of June 30, 2016, the School had the following cash:

Checking and savings	\$ 99,801
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THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Deposits

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

Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance			Balance
<u>Governmental Activities:</u>	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Capital Assets:</u>				
Leasehold improvements	\$ -	\$ 128,644	\$ -	\$ 128,644
FFE	<u>28,995</u>	<u>13,500</u>	<u>-</u>	<u>42,495</u>
Total Capital Assets	<u>28,995</u>	<u>142,144</u>	<u>-</u>	<u>171,139</u>
 <u>Accumulated Depreciation:</u>				
Leasehold improvements	-	37,521	-	37,521
FFE	<u>2,892</u>	<u>7,368</u>	<u>-</u>	<u>10,260</u>
Total Accumulated Depreciation	<u>2,892</u>	<u>44,889</u>	<u>-</u>	<u>47,781</u>
 Net Capital Assets	 <u>\$ 26,103</u>			 <u>\$ 123,358</u>

Depreciation expense in the Statement of Activities - Governmental Activities for Instructional programs was \$44,889.

Note Payable, bank

The School entered into a note payable with a financial institution for the purchase of computer equipment in the amount \$75,000 in August 2015. The loan carries a 4.75% interest rate, annual principle and interest payments of \$27,415 and matures in August 2018. The terms of the loan includes the required Tabor clause whereas the loan is construed as a multiple fiscal year financial obligation; therefore, allowing for the School to annually budget for the annual principle and interest payment. Should the School not approve the annual principle and interest payment the School will not be held liable for any future financial obligations.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Note Payable, bank (Continued)

Anticipated future financial obligations, if approved via the annual budget, are as follows:

For the fiscal year ending:	
June 30, 2017	\$ 1,989
June 30, 2018	24,822
June 30, 2019	<u>25,866</u>
Total Future Obligations	<u>\$ 52,677</u>

During the year ended June 30, 2016, the School recognized \$2,677 in interest expense.

NOTE 4 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description – Eligible employees of CKMCS are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-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 that can be obtained at www.copera.org/investments/pera-finacial-reports.

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annualized member contribution account balance based on life expectancy and other actuarial factors.

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, and the qualified survivor(s) who will receive the benefits.

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

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and CKMCS is statutorily committed to pay the contribution to the SCHDTF. Employer contributions recognized by the SCHDTF from CKMCS were \$45,275 for the year ended June 30, 2016.

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

At June 30, 2016, CKMCS reported a liability of \$916,858 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. CKMCS proportion of the net pension liability was based on CKMCS' contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, CKMCS' proportion was .0059947651 percent.

For the year ended June 30, 2016, CKMCS recognized pension expense of \$150,808. At June 30, 2015, CKMCS 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	\$ -	\$ 12,995
Changes in assumptions or other inputs	158,266	-
Net difference between projected and actual earnings on pension plan investments	90,066	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-	715
Contributions subsequent to the measurement date	30,876	-
Total	\$ 279,208	\$ 13,710

\$30,876 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, 2017.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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 ended June 30,	
2017	\$ 59,679
2018	59,679
2019	38,194

Actuarial assumptions – The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimated 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 CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

THE CHILDREN’S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 1,188,515	\$ 589,157	\$ 690,889

Pension plan fiduciary net position – Detailed information about the SCHDTF’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 5 POSTEMPLOYMENT HEALTH CARE BENEFITS

Health Care Trust Fund

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

Funding Policy – CKMCS is required to contribute at a rate of 1.02 percent of PERA- includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for CKMCS are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016 and 2015 CKMCS’ contributions to the HCTF were \$2,665 and \$1,931, respectively, equal to their required contributions for each year.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

NOTE 6 CONCENTRATION OF CREDIT RISK

CKMCS' financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. CKMCS places its cash with high credit quality institutions. CKMCS routinely assesses the financial strength of its donors and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

NOTE 7 RISK OF LOSS

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

NOTE 8 COMMITMENTS AND CONTINGENCIES

Preschool Agreement

The School entered into an agreement with The Children's Kiva (Preschool) in December 2013. Under the Montessori philosophy, schools typically group three, four and five year olds together in a single early childhood classroom; the Preschool facilities the early childhood (ages three through five) program which provides continuity for the children entering kindergarten at age five. As a result, the School reimburses the Preschool for expenses incurred on behalf of the kindergarten class (five year olds). The agreement has no set termination date.

During the year ended June 30, 2016, the Preschool paid CKMCS \$12,100 for contracted services and CKMCS transferred \$96,942 and \$3,748 in PPOR and grant funds, respectively, to the Preschool. As of June 30, 2016, \$367 was due to the Preschool from the CKMCS.

Lease Commitments

The School leased its office and classroom space under two separate lease agreements as the School is housed in two separate buildings located across the street from each other; each location is owned by a different landlord.

The first location, commonly known as the "lower elementary school", carries a three year lease agreement with an inception date of August 2015 and monthly rent of \$2,000.

The second location, commonly known as the "upper elementary school", carries an eleven month lease agreement with an inception date of August 2015 with an option for the School to renew the lease for an additional two years and monthly rent of \$800.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 8 COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)

In addition, the School leases additional storage space under a month to month lease agreement; this lease carries a monthly rent of \$62.

Occupancy expense for the year ended June 30, 2016 was \$31,285.

Taxpayer's Bill of Rights (TABOR)

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Current Vulnerability Due to Certain Concentrations and Uncertainties

The School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the School were to lose students or the related government funding, there could be a substantial effect on its ability to continue operations.

NOTE 9 EVALUATION OF SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2016 and prior to the issuance of the June 30, 2016 financial statements, the School entered renewed the lease agreement for the "upper elementary school".

The School has evaluated subsequent events through September 28, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
SCHEDULE OF EMPLOYER'S SHARE OF
NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	December 31, 2014	2015
School's proportion of net pension liability	0.0043469455%	0.0059947651%
School's proportionate share of the net pension liability	\$ 589,157	\$ 916,857
School's covered-employee payroll	\$ 75,877	\$ 261,250
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	776.46%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	59.20%

* Complete 10-year information to be presented in future years as it becomes available.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL
CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	December 31,	
	2014	2015
Contractually required contribution	\$ 29,920	\$ 45,275
Contributions in relation to the contractually required contribution	29,920	44,226
Contribution deficiency (excess)	\$ -	\$ 1,049
School's covered-employee payroll	75,877	261,250
Contributions as a percentage of covered-employee payroll	39.43%	17.33%

* Complete 10-year information to be presented in future years as it becomes available.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Sources:			
Cash donations	\$ -	\$ 5,041	\$ 5,041
Student fees and activities	32,788	43,187	10,399
Fundraising	-	6,381	6,381
Interest	41	41	-
	<u>32,829</u>	<u>54,650</u>	<u>21,821</u>
Other Financing Sources:			
Loan proceeds	75,000	50,000	(25,000)
	<u>75,000</u>	<u>50,000</u>	<u>(25,000)</u>
State Sources:			
State equalization	692,940	692,969	29
Special education grants	15,460	15,460	-
Capital construction grants	25,720	25,720	-
	<u>734,120</u>	<u>734,149</u>	<u>29</u>
Federal Sources:			
Start-up grant	189,000	191,550	2,550
	<u>189,000</u>	<u>191,550</u>	<u>2,550</u>
Total Revenues	<u>1,030,949</u>	<u>1,030,349</u>	<u>(600)</u>
Expenditures:			
Instructional Services:			
Salaries and benefits	299,834	273,243	26,591
Materials, supplies and purchased services	218,087	358,435	(140,348)
Total Instructional	<u>517,921</u>	<u>631,678</u>	<u>(113,757)</u>
Supporting Services:			
Administration			
Salaries and benefits	140,175	162,954	(22,779)
Materials, supplies and purchased services	393,716	232,611	161,105
Total Supporting Services	<u>533,891</u>	<u>395,565</u>	<u>138,326</u>
Total Expenditures	<u>1,051,812</u>	<u>1,027,243</u>	<u>24,569</u>
Excess (Deficiency) of Revenues over Expenditures	(20,863)	3,106	23,969
Fund Balance - beginning of year	<u>54,694</u>	<u>54,694</u>	<u>-</u>
Fund Balance - end of year:			
Nonspendable	-	4,000	4,000
Restricted for TABOR	8,500	23,000	14,500
Assigned	16,350	-	(16,350)
Unassigned	8,981	30,800	21,819
Fund Balance - end of year	<u>\$ 33,831</u>	<u>\$ 57,800</u>	<u>\$ 23,969</u>