

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

**BASIC FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**



**RECEIVED**

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As Management of The Children's Kiva Montessori Charter School (CKMCS) 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, 2017.

These financial statements are the presentation of the completion of our third year. Management would like to take this opportunity to commend the staff, students, families and Board Members on our third 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 31 of this report.

Supplementary Information – Supplementary information is contained on pages 32 through 34, 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's per pupil allocation was \$7,219 for the year ended June 30, 2017. Children's Kiva Montessori Charter School had an enrollment of 91 first through eighth graders, and 25 Kindergarten Students. The School received State per pupil funding of \$761,640 during the 2016-2017 school year.

Other sources of revenue include donations and student fees, as well as 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 2016-2017 school year, Children's Kiva Montessori School employed ten full-time and six part time staff members.

Condensed Balance Sheet  
June 30,

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 108,850	\$ 104,529
Total Assets	<u>\$ 108,850</u>	<u>\$ 104,529</u>
Other Liabilities	\$ 44,151	\$ 46,729
Total Liabilities	<u>44151</u>	<u>46729</u>
Net Assets:		
Restricted	25000	23000
Non-Spendable	17589	4000
Unrestricted	<u>22110</u>	<u>30800</u>
Net Assets	<u>64699</u>	<u>57800</u>
Total Liabilities and Net Assets	<u>\$ 108,850</u>	<u>\$ 104,529</u>

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

Revenues		
Per Pupil Reveunes	\$ 761,640	\$ 692,940
Other General Revenues	<u>86175</u>	<u>337409</u>
Total Revenues	<u>847815</u>	<u>1030349</u>
Expenses		
Instruction	492866	631678
Supporting Services	<u>348050</u>	<u>395565</u>
Total Expenses	<u>840916</u>	<u>1027243</u>
Net Change in Fund Balance	6899	3106
Beginning Fund Balance	<u>57800</u>	<u>54694</u>
Ending Fund Balance	<u>\$ 64,699</u>	<u>\$ 57,800</u>

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.

TABOR Reserve – The Taxpayers Bill of Rights law requires governmental entities to reserve 3% of its fiscal year spending excluding any bonded debt service, of which the School has none. Accordingly, a reserve for fund balance in the amount of \$25,000 has been established in these financials.

Request for information

This financial report is designed to provide a general overview of the School's financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Children's Kiva Montessori School Business Office at PO Box 1417, Cortez, CO 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, 2017, 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, 2017, 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, 2017**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash	\$ 90,598
Accounts receivable	663
Prepaid expenses	15,589
Other current assets	2,000
Capital assets, net of accumulated depreciation	<u>50,540</u>
Total Assets	<u>159,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Difference between projected and actual investment earnings on pension plan	<u>1,117,462</u>
Total Deferred Outflows of Resources	<u>1,117,462</u>
<b>LIABILITIES:</b>	
Accounts payable	1,515
Accrued expenses	42,636
Noncurrent liabilities	
Due in one year	4,281
Due in more than one year	<u>2,234,269</u>
Total Liabilities	<u>2,282,701</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Difference between expected and actual experience on pension plan	<u>10,810</u>
Total Deferred Inflows of Resources	<u>10,810</u>
<b>NET POSITION (DEFICIT):</b>	
Investment in capital assets, net of related debt	50,540
Restricted for TABOR	25,000
Unrestricted	<u>(1,092,199)</u>
Total Net Position (Deficit)	<u>\$ (1,016,659)</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, 2017**

<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	\$ 855,163	\$ 22,851	\$ -	\$ -	\$ (832,312)
Supporting services	<u>486,433</u>	<u>-</u>	<u>29,879</u>	<u>29,293</u>	<u>(427,261)</u>
Total Governmental Activities	<u>1,341,596</u>	<u>22,851</u>	<u>29,879</u>	<u>29,293</u>	<u>(1,259,573)</u>
		GENERAL REVENUES:			
					765,700
					<u>92</u>
				TOTAL GENERAL REVENUES	<u>765,792</u>
				CHANGE IN NET POSITION	(493,781)
				NET POSITION, Beginning	<u>(522,878)</u>
				NET POSITION (DEFICIT), Ending	<u>\$ (1,016,659)</u>

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, 2017**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash	\$ 90,598
Accounts receivable	663
Prepaid expenses	15,589
Other current assets	<u>2,000</u>
Total Assets	<u>\$ 108,850</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 1,515
Accrued expenses	<u>42,636</u>
Total Liabilities	<u>44,151</u>
<b>FUND BALANCE:</b>	
Nonspendable	17,589
Restricted for TABOR	25,000
Unassigned	<u>22,110</u>
Total Fund Balance	<u>64,699</u>
Total Liabilities and Fund Balance	<u>\$ 108,850</u>

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

Fund Balance - Governmental Fund	\$ 64,699
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	50,540
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	1,117,462
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,238,550)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(10,810)</u>
Net Position (Deficit) - Governmental Activities	<u>\$ (1,016,659)</u>

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	General Fund
<b>REVENUES:</b>	
Local sources	\$ 28,697
State and Federal sources	819,118
Total Revenues	847,815
<b>EXPENDITURES:</b>	
Current	
Instructional	492,866
Supporting services	348,050
Total Expenditures	840,916
Net Change in Fund Balance	6,899
FUND BALANCE, Beginning	57,800
FUND BALANCE, Ending	\$ 64,699

**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, 2017**

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

Net Change in Fund Balance - Governmental Fund	\$	6,899
<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>		
		(72,818)
<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>		
		48,396
<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>(476,258)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(493,781)</u></u>

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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 School's building remodel. 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 or in excess of 3% of fiscal year spending excluding any bonded debt service (of which CKMCS has none).

*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, 2017**

**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 or in excess of 3% of fiscal year spending excluding any bonded debt service (of which CKMCS has none).

*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, 2017**

**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, 2017, the School had the following cash:

Checking and savings	\$	90,598
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**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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, 2017 is as follows:

	Balance			Balance
<u>Governmental Activities:</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Capital Assets:</u>				
Leasehold improvements	\$ 128,644	\$ -	\$ -	\$ 128,644
FFE	<u>42,495</u>	<u>-</u>	<u>-</u>	<u>42,495</u>
Total Capital Assets	<u>171,139</u>	<u>-</u>	<u>-</u>	<u>171,139</u>
 <u>Accumulated Depreciation:</u>				
Leasehold improvements	37,521	64,322	-	101,843
FFE	<u>10,260</u>	<u>8,496</u>	<u>-</u>	<u>18,756</u>
Total Accumulated Depreciation	<u>47,781</u>	<u>72,818</u>	<u>-</u>	<u>120,599</u>
 Net Capital Assets	 <u>\$ 123,358</u>			 <u>\$ 50,540</u>

Depreciation expense in the Statement of Activities - Governmental Activities for Instructional programs was \$72,818.

**Note Payable, bank**

The School entered into a note payable with a financial institution for the School's building remodel in the amount \$75,000 in August 2015. The loan carries a 4.75% interest rate, annual principal 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, 2017**

**NOTE 3**      **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS**

**Note Payable, bank (Continued)**

During the year ended June 30, 2017, the School made additional principal and interest payments; thereby reducing the future financial obligations. Anticipated future financial obligations, if approved via the annual budget, are as follows:

For the fiscal year ending:	
June 30, 2018	\$     4,281

During the year ended June 30, 2017, the School recognized \$1,604 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-financial-reports](http://www.copera.org/investments/pera-financial-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 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 CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

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.

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.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

*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, 2016
Employer Contribution Rate	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)%
Amount Apportioned to the SCHDTF	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	4.50%
<b>Total Employer Contribution Rate to the SCHDTF</b>	<b>18.13%</b>

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

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 \$69,483 for the year ended June 30, 2017.

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

At June 30, 2017, CKMCS reported a liability of \$2,234,269 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. CKMCS proportion of the net pension liability was based on CKMCS' contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, CKMCS' proportion was .0075041262 percent, which was an increase of .0015093611 percent from its proportion measured as of December 31, 2015.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

For the year ended June 30, 2017, CKMCS recognized pension expense of \$548,138. At June 30, 2017, 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	\$ 827,615	\$ 10,096
Changes in assumptions or other inputs	248,825	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	2,777	714
Contributions subsequent to the measurement date	38,245	-
Total	\$ 1,117,462	\$ 10,810

\$38,245 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, 2018.

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,	
2018	\$ 250,887
2019	129,259
2020	29,116

*Actuarial assumptions* – The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
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

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.83%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25%.

*Discount rate* – The discount rate used to measure the total pension liability was 5.26 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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

- 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 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, 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.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4      DEFINED BENEFIT PENSION PLAN (Continued)**

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

*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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 2,809,521	\$ 2,234,269	\$ 1,765,746

*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](http://www.copera.org/investments/pera-financial-reports).

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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](http://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 December 31, 2016 and 2015 CKMCS' contributions to the HCTF were \$10,292 and \$7,994, respectively, equal to their required contributions for each year.

**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.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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, 2017, the Preschool paid CKMCS \$3,171 for contracted services and CKMCS transferred \$104,712 and \$6,875 in PPOR and capital construction grant funds, respectively, to the Preschool. As of June 30, 2017, \$2,008 of additional grant funds were due to the Preschool from the CKMCS and \$1,840 was due to CKMCS from the Preschool for additional contract services provided by CKMCS; resulting in a net due to the Preschool of \$168.

**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.

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

Occupancy expense for the year ended June 30, 2017 was \$34,299.

**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.

**THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 8**      **COMMITMENTS AND CONTINGENCIES (Continued)**

**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**

The School has evaluated subsequent events through October 9, 2017, 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, 2017**

	2014	December 31, 2015	2016
School's proportion of net pension liability	0.0043469455%	0.0059947651%	0.0075041262%
School's proportionate share of the net pension liability	\$ 589,157	\$ 916,857	\$ 2,234,269
School's covered-employee payroll	\$ 75,877	\$ 261,250	\$ 336,799
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	776.46%	350.95%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	59.20%	43.10%

\* 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, 2017**

	<u>2014</u>	<u>December 31, 2015</u>	<u>2016</u>
Contractually required contribution	\$ 29,920	\$ 45,275	\$ 64,511
Contributions in relation to the contractually required contribution	<u>29,920</u>	<u>44,226</u>	<u>64,511</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 1,049</u>	<u>\$ -</u>
School's covered-employee payroll	75,877	261,250	336,799
Contributions as a percentage of covered-employee payroll	39.43%	17.33%	19.15%

\* 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, 2017**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
<b>Local Sources:</b>			
Cash donations	\$ -	\$ 5,754	\$ 5,754
Student fees and activities	15,925	22,851	6,926
Fundraising	-	-	-
Interest	-	92	92
	15,925	28,697	12,772
<b>State Sources:</b>			
State equalization	761,870	765,700	3,830
Special education grants	19,993	20,365	372
Capital construction grants	31,900	29,293	(2,607)
	813,763	815,358	1,595
<b>Federal Sources:</b>			
Start-up grant	3,903	3,760	(143)
	3,903	3,760	(143)
Total Revenues	833,591	847,815	14,224
<b>Expenditures:</b>			
<b>Instructional Services:</b>			
Salaries and benefits	315,455	262,316	53,139
Materials, supplies and purchased services	150,486	230,550	(80,064)
Total Instructional	465,941	492,866	(26,925)
<b>Supporting Services:</b>			
Administration			
Salaries and benefits	207,398	170,762	36,636
Materials, supplies and purchased services	156,038	177,288	(21,250)
Total Supporting Services	363,436	348,050	15,386
Total Expenditures	829,377	840,916	(11,539)
Excess (Deficiency) of Revenues over Expenditures	4,214	6,899	2,685
<b>Fund Balance - beginning of year</b>	34,800	57,800	23,000
<b>Fund Balance - end of year:</b>			
Nonspendable	-	17,589	17,589
Restricted for TABOR	3,000	25,000	22,000
Unassigned	36,014	22,110	(13,904)
<b>Fund Balance - end of year</b>	\$ 39,014	\$ 64,699	\$ 25,685