JAMES IRWIN CHARTER SCHOOLS

FINANCIAL STATEMENTS

June 30, 2017

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JAMES IRWIN CHARTER SCHOOLS

June 30, 2017

Board of Directors

Bob LaPalme - President

Lari Jones - Vice-President

Steve Hester - Treasurer

Ida Dilwood - Secretary

Victoria Cameron

Jeff Kemp

Robin van der Wel

Management

Jonathan Berg, Chief Executive Officer

Eileen Johnston, Chief Financial Officer

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S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
James Irwin Charter Schools
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the James Irwin Charter Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the James Irwin Charter Schools, as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James Irwin Charter Schools as of June 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

8400 E. Crescent Parkway • Suite 600 • Greenwood Village, CO 80111 • (720) 528-4306 Fax: (720) 528-4307

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

Other Matters (Supplementary Information)
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the James Irwin Charter Schools' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Swanhorst & Company LLC

January 10, 2018

JAMES IRWIN CHARTER SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017

This section of James Irwin Charter School's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended June 30, 2017. Please read this discussion in conjunction with additional information provided in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2017 is the fifth year of operations for the James Irwin Charter Schools, (JICS), as a Charter Management Organization, and the fourth year of operating as a Collaborative. JICS opened Power Technical Early College this year, the fifth James Irwin School in the James Irwin Charter School Collaborative. The other four James Irwin Schools have been a part of the Collaborative since its formation: the James Irwin Charter High School; the James Irwin Charter Middle School; the James Irwin Charter Elementary School and the James Irwin Charter Academy.

James Irwin implemented GASB 68 for the 14-15 school year. This requires James Irwin Charter Schools to recognize its proportionate share of the School Division Trust Fund (SCHDTF) defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). This change in accounting principle caused liabilities and deferred inflows to exceed its assets and deferred outflows by $22,111,108 during the year resulting in a negative net position. Please see Note 8.

Total assets increased $2,796,240 to $6,214,683 representing an 82 percent increase from 2016. This increase was in capital assets and reflects building renovations to the Power Technical Early College campus.

This fiscal year, James Irwin's expenses of $17,068,761 exceeded revenue of $10,121,641 by $6,947,120.

Total operating revenue for the 16-17 school year was $10,121,556; an increase of 18.8% from the 15-16 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the basic financial statements, which are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how James Irwin's net position changed during the most recent fiscal year. Changes to net position are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, some revenues and expenses are reported in the statement that will only result in cash flows in future periods.

Fund Financial Statements

A fund is a group of accounts used to maintain control for specific activities or objectives. James Irwin uses fund accounting to account for all financial activities and to ensure and demonstrate compliance with finance related legal requirements. James Irwin maintains a proprietary fund which accounts for all financial activity financed by fees and charges from various charter schools, and an operating fund for PTEC, as well as a federal grant fund for PTEC.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the Supplementary Information presents a detailed budgetary comparison schedule to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF JAMES IRWIN CHARTER SCHOOLS

The two summary statements below report the fiscal year 2017 and the prior year, fiscal year 2016.

Condensed Statement of Net Position

	2017	2016	Change
Assets			
Current and other assets	$ 1,013,078	$ 1,190,445	$ (177,367)
Capital assets	5,201,605	2,227,998	2,973,607
Total Assets	6,214,683	3,418,443	2,796,240
Deferred Outflows - Pension (net)	16,032,866	2,993,130	13,039,736
Current Liabilities	685,537	712,676	(27,139)
Capital Lease Payable	4,940,714	2,051,747	2,888,967
Net Pension Liability	38,569,260	18,548,256	20,021,004
Total Liabilities	44,195,511	21,312,679	22,882,832
Deferred Inflows - Pension (net)	163,146	262,882	(99,736)
Investment in capital assets	149,858	69,605	80,253
Restricted Funds	96,000	30,000	66,000
Unrestricted Funds	(22,356,966)	(15,263,593)	(7,093,373)
Total Net Position	$ (22,111,108)	$ (15,163,988)	$ (6,947,120)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Revenues:	2017	2016	Change
Charges for services	$ 8,697,293	$ 8,305,812	$ 391,481
Per Pupil Revenue	1,132,160		1,132,160
Grants	255,930	209,936	45,994
Contributions	36,173	6,400	29,773
Interest	85		85
Total Revenues	10,121,641	8,522,148	1,599,493
Expenses:			
Instructional	10,991,777	6,383,368	4,608,409
Instructional Support Services	5,900,634	3,273,474	2,627,160
Interest Expense	176,350	49,612	126,738
Total Expenses	17,068,761	9,706,454	7,362,307
Change in net position	(6,947,120)	(1,184,306)	(5,762,814)
Net position, beginning	(15,163,988)	(13,979,682)	(1,184,306)
Net position, ending	$ (22,111,108)	$ (15,163,988)	$ (6,947,120)

Analysis of Operations

Revenues: Total revenue for the period of July 1, 2016 through June 30, 2017 was $10,121,761; 18.8% higher than the year ending June 30, 2016. James Irwin received $8,697,293 in revenues for providing educational, business and administrative management services to public charter schools. James Irwin also received funding in the form of per pupil revenue allocated to Power Technical Early College (PTEC) from the State of Colorado through their charter authorizer Falcon School District 49, and a Charter School Start up grant from the federal government. PTEC had 160 full time students and received $1,132,160 ($7,076 per pupil). James Irwin also received $44,423 in Capital Construction funding from the State of Colorado for the school building expenses.

Expenses: Total expenses for the period of July 1, 2016 through June 30, 2017 were $17,068,641; up 75% from the year ended June 30, 2016. Salary and benefits were up by $6,651,493, and accounted for 90% of the annual increase in expenses. While there were 13 employee positions added to staff the new school, 88% of the salary and benefit expense increase was due to an increase in PERA. James Irwin's proportionate share of PERA's 2016-2017 expenses was $8,029,571; and increase of $5,855,355 from 2015-2016.

Change in Net Position: The impact of the PERA balances aside, $96,000 of net position is restricted by statute for emergency reserves and $149,858 was the investment in capital assets. The remaining balance of $342,574 is available to be used to meet future obligations.

Analysis of Budget

James Irwin's 2016-2017 budget was approved by the Board of Directors in May of 2016 and included revenue of $12,629,108 and expenses of $10,711,460. The budget was amended to show revenue of $12,257,051 and an expense budget of $10,996,774. Actual annual revenue was $10,121,641; $2,135,410 under budget. The primary cause of the difference between budgeted and actual revenue was that the budget included $927,147 in management fees from PTEC that were eliminated in this report, (along with the expenses related to offsetting PTEC payments to JICS), in order to avoid any duplication of revenue or expenses. Total expenses for the year ending June 30, 2017 were $10,279,968; $716,806 or 6.5% less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Assets with a useful life of more than one year and a unit cost of greater than $5,000 are capitalized. Assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. On June 30, 2017, James Irwin's net capital assets were $5,201,605. The assets include the purchase and remodeling of the PTEC Campus.

This was the second year of the capital lease agreement to purchase and renovate a building for the new school. The capital lease includes the addition of $3,000,000 for building upgrades and improvements to the PTEC campus.

Additional information on the lease and the related capital assets are provided in Notes 5 and 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the budget for James Irwin Charter Schools is student enrollment in the charter schools that they provide services for. Enrollment in the James Irwin Schools for the 2017-18 school year is 1,917 full time students; an increase of 82.5 above the 2016-17 enrollment of 1,834.5.

The Board of Directors and administration considered many factors when setting the annual budget. The amount of revenue James Irwin receives from operations is dependent upon the state of the economy and current and future legislation. Thus, management practices conservative budgeting and closely monitors the budget in comparison with actual spending, in order to proactively adjust planned spending when necessary.

FUTURE EVENTS

On July 1, 2017 the five separate James Irwin Charter Schools merged with the charter management entity, James Irwin Charter Schools, and became a single legal entity. This action was taken in order to take advantage of recent legislation that allows organizations with more than one charter school to streamline their operations and governance structures.

REQUESTS FOR INFORMATION

This financial report is provided as a general overview of the James Irwin Charter Schools finances for persons interested in James Irwin Schools. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Eileen Johnston, CFO
James Irwin Charter Schools
5525 Astrozon Blvd., Colorado Springs, CO 80916

BASIC FINANCIAL STATEMENTS

JAMES IRWIN CHARTER SCHOOLS

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

ASSETS	
CURRENT ASSETS	
Cash	$ 334,323
Accounts Receivable	9,836
Accounts Receivable - Related Parties	624,483
Grants Receivable	41,625
Prepaid Expenses	2,811
TOTAL CURRENT ASSETS	1,013,078
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	5,201,605
TOTAL ASSETS	6,214,683
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	16,032,866
LIABILITIES	
CURRENT LIABILITIES	
Accrued Liabilities	15,245
Accrued Salaries and Benefits	539,551
Unearned Revenues	19,708
Capital Lease Payable, Current Portion	111,033
TOTAL CURRENT LIABILITIES	685,537
NONCURRENT LIABILITIES	
Capital Lease Payable	4,940,714
Net Pension Liability	38,569,260
TOTAL NONCURRENT LIABILITIES	43,509,974
TOTAL LIABILITIES	44,195,511
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	163,146
NET POSITION	
Net Investment in Capital Assets	149,858
Restricted for Emergencies	96,000
Unrestricted	(22,356,966)
TOTAL NET POSITION	$ (22,111,108)

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

JAMES IRWIN CHARTER SCHOOLS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2017

OPERATING REVENUES	
Charges for Services	$ 8,697,293
Per Pupil Revenue	1,132,160
Capital Construction	44,423
Grants	211,507
Donations and Contributions	36,173
TOTAL OPERATING REVENUES	10,121,556
OPERATING EXPENSES	
Salaries	6,538,552
Benefits	9,176,478
Purchased Services	727,552
Supplies and Materials	294,584
Property	20,170
Other	15,233
Depreciation	119,842
TOTAL OPERATING EXPENSES	16,892,411
NET OPERATING LOSS	(6,770,855)
NONOPERATING REVENUES (EXPENSES)	
Investment Income	85
Interest Expense	(176,350)
TOTAL NONOPERATING REVENUES (EXPENSES)	(176,265)
CHANGE IN NET POSITION	(6,947,120)
NET POSITION, Beginning	(15,163,988)
NET POSITION, Ending	$ (22,111,108)

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

JAMES IRWIN CHARTER SCHOOLS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Increase (Decrease) in Cash
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Charter Schools	$	8,476,962
PTEC Funding Received		1,517,338
Cash Received from Donors		7,437
Cash Payments to Employees		(6,575,885)
Cash Payments to Suppliers		(3,344,304)
Net Cash Provided (Used) by Operating Activities		81,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(3,093,449)
Debt Proceeds		3,000,000
Capital Lease Principal Payments		(106,646)
Capital Lease Interest Payments		(176,350)
Net Cash Provided (Used) by Capital and Related Financing Activities		(376,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received		85
NET CHANGE IN CASH		(294,812)
CASH, Beginning		629,135
CASH, Ending	$	334,323
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Loss	$	(6,770,855)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation		119,842
Changes in Assets and Liabilities		
Accounts Receivable		(303)
Accounts Receivable - Related Parties		(197,811)
Grants Receivable		71,071
Prepaid Expenses		9,598
Deferred Outflows of Resources		(13,039,736)
Accrued Liabilities		(1,417)
Accrued Salaries and Benefits		(37,333)
Unearned Revenues		7,224
Net Pension Liability		20,021,004
Deferred Inflows of Resources		(99,736)
Net Cash Provided (Used) by Operating Activities	$	81,548

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The James Irwin Charter Schools (JICS) was organized to support high quality education, including support for specific charter schools within the State of Colorado as a charter management organization. JICS began operations in the fall of 2012. Effective July 1, 2013, JICS was organized as a charter school collaborative, as defined by State statutes. As such, JICS shall advance and carry out the educational mission of participating schools and support charter school education generally. In addition, JICS will serve as the central office to administer, manage and support the implementation of the schools' educational programs. JICS is governed by a Board of Directors consisting of at least five members.

The Power Technical Early College (PTEC) began operations in the Fall of 2016 and is included in the JICS financial statements.

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

Reporting Entity

The financial reporting entity consists of JICS, organizations for which JICS is financially accountable, and organizations that raise and hold economic resources for the direct benefit of JICS. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of JICS. Legally separate organizations for which JICS is financially accountable are considered part of the reporting entity. Financial accountability exists if JICS a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, JICS. Based on the application of this criteria, JICS does not include additional organizations within its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

JICS uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where a fee is charged to external users for goods or services.

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Assets, Liabilities and Net Position

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

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

Capital Assets - Capital assets are defined as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Depreciation of exhaustible capital assets and amortization of capital assets acquired under a capital lease are charged as an expense against operations, and accumulated depreciation and amortization are reported in the statement of net position. Capital assets acquired under a capital lease are amortized to the expected value over the term of the related lease. Depreciation and amortization have been provided over the following estimated useful lives of the capital assets or the term of the related capital lease using the straight-line method.

Building	10 years
Vehicles	6 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Compensated Absences - Employees are allowed to accumulate unused vacation and sick time up to a maximum of five days of vacation time and five days of sick time. Accrued vacation time is paid to certain classified employees upon separation of employment. Accumulated sick leave is not paid upon separation of employment. Accrued vacation time is recognized as a liability in the financial statements when earned. However, no liability is reported in the financial statements because the amount is insignificant.

Unearned Revenues - Unearned revenues include resources received by JICS before it has a legal claim to them, including student fees.

Pensions - JICS participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

Risk Management

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for JICS on a non-GAAP budgetary basis, whereby capital outlay and debt principal payments are budgeted as expenses, and depreciation expense and the change in the net pension liability and related items are not budgeted.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenses and the means of financing them.

Revisions that alter the total expenses must be approved by the Board of Directors. All budget appropriations lapse at fiscal year end.

Accountability

At June 30, 2017, JICS had a negative net position of $22,111,108, primarily as a result of JICS reporting its proportionate share of PERA's unfunded pension liability and the related deferred inflows and outflows of resources in the financial statements, in the net amount of ($22,699,540).

NOTE 3: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, JICS had bank deposits of $399,397 collateralized with securities held by the financial institution's agent but not in JICS' name.

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

JICS is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount JICS may invest in a single issuer of investment securities, except for corporate securities.

At June 30, 2017, JICS had no investments.

NOTE 4: RELATED PARTIES

Accounts Receivable

Accounts receivable between related parties at June 30, 2017, consisted of the following. All receivables resulted from routine operating activities.

James Irwin Charter High School	$ 161,999
James Irwin Charter Middle School	140,069
James Irwin Charter Elementary School	166,732
James Irwin Charter Academy	155,683
Total	**$ 624,483**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below.

	Balances 6/30/16	Additions	Deletions	Balances 6/30/17
Capital Assets, Not Being Depreciated				
Construction in Progress	$ 2,183,235	$ 3,000,000	$ 5,183,235	$ -
Capital Assets, Being Depreciated				
Building	-	5,183,235	-	5,183,235
Vehicles	60,500	105,935	14,500	151,935
Total Capital Assets, Being Depreciated	60,500	5,289,170	14,500	5,335,170
Less Accumulated Depreciation				
Building	-	(97,321)	-	(97,321)
Vehicles	(15,737)	(22,521)	(2,014)	(36,244)
Total Accumulated Depreciation	(15,737)	(119,842)	(2,014)	(133,565)
Total Capital Assets Being Depreciated, Net	44,763	5,169,328	12,486	5,201,605
Total Capital Assets, Net	**$ 2,227,998**	**$ 8,169,328**	**$ 5,195,721**	**$ 5,201,605**

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

	Balance 6/30/16	Additions	Payments	Balance 6/30/17	Due Within One Year
Capital Lease	**$ 2,158,393**	**$ 3,000,000**	**$ 106,646**	**$ 5,051,747**	**$ 111,033**

On August 1, 2015, JICS entered into a lease agreement with the James Irwin Educational Foundation (the "Foundation") to purchase and renovate the building for PTEC. Terms of the initial agreement required monthly principal and interest payments of $12,409. In August 2016, JICS borrowed an additional $3,000,000 to finance the building renovation. In conjunction, the lease agreement was modified and requires monthly principal and interest payments of $25,818 beginning September 15, 2016, through July 15, 2025, with a balloon payment of $4,015,386, plus any unpaid interest, due on August 15, 2025. Interest accrues at 3.92% per annum. Assets of $5,183,235, net of accumulated amortization of $97,321, have been capitalized under this lease agreement.

NOTE 6: LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 111,033	$ 198,780	$ 309,813
2019	115,527	194,286	309,813
2020	119,681	190,132	309,813
2021	125,047	184,766	309,813
2022	130,109	179,704	309,813
2023 - 2026	4,450,350	533,848	4,984,198
Total	**$ 5,051,747**	**$ 1,481,516**	**$ 6,533,263**

NOTE 7: MANAGEMENT AGREEMENT

JICS has entered into management agreements with the James Irwin Charter High School, James Irwin Charter Middle School, James Irwin Charter Elementary School, and James Irwin Charter Academy (collectively, the "Schools"), to provide all labor, materials, equipment and supervision necessary for the provision of educational services to students, and the management, operation and maintenance of the Schools. The agreements shall continue until termination, or until expiration of each School's charter contract.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - JICS contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of JICS participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - JICS and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. JICS' contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of JICS' contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). JICS' contributions to the SDTF for the year ended June 30, 2017, were $1,201,742, equal to the required contributions.

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

At June 30, 2017, JICS reported a net pension liability of $38,569,260, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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.

JICS' proportion of the net pension liability was based on JICS' contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, JICS' proportion was 0.1295406485%, which was an increase of 0.0082649880% from its proportion measured at December 31, 2015.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2017, JICS recognized pension expense of $8,029,571. At June 30, 2017, JICS 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
Differences between expected and actual experience	$ 471,805	$ 314
Changes of assumptions and other inputs	12,514,920	162,832
Net difference between projected and actual earnings on plan investments	1,208,020	-
Changes in proportion	1,190,875	-
Contributions subsequent to the measurement date	647,246	-
Total	$ 16,032,866	$ 163,146

JICS contributions subsequent to the measurement date of $647,246 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2018	$ 6,233,588
2019	6,026,331
2020	2,949,691
2021	12,864
Total	$ 15,222,474

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	Assumptions	Revised Assumptions
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

NOTE 8: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	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%**	

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents JICS' proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as JICS' proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 48,499,606	$ 38,569,260	$ 30,481,354

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - JICS is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for JICS are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. JICS' apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was $63,170, $55,795 and $52,583, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but JICS believes it is in substantial compliance with the Amendment. In accordance with the Amendment, JICS has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted net position in the financial statements, in the amount of $96,000.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 2017

	12/31/16	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
JICS' Proportion of the Net Pension Liability	0.1295406485%	0.1212756605%	0.1195724723%	0.1118196214%
JICS' Proportionate Share of the Net Pension Liability	$ 38,569,260	$ 18,548,256	$ 16,206,086	$ 14,262,563
JICS' Covered Payroll	$ 5,814,021	$ 5,285,165	$ 5,009,323	$ 4,514,475
JICS' Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%

	6/30/17	6/30/16	6/30/15	6/30/14
JICS' CONTRIBUTIONS				
Statutorily Required Contribution	$ 1,138,572	$ 970,124	$ 870,404	$ 784,848
Contributions in Relation to the Statutorily Required Contribution	(1,138,572)	(970,124)	(870,404)	(784,848)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
JICS' Covered Payroll	$ 6,193,182	$ 5,470,091	$ 5,155,153	$ 4,911,358
Contributions as a Percentage of Covered Payroll	18.38%	17.74%	16.88%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. JICS' contributions and related ratios represent cash contributions and any related accruals that coincide with JICS' fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

SUPPLEMENTARY INFORMATION

JAMES IRWIN CHARTER SCHOOLS

BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	$ 10,582,266	$ 10,457,258	$ 8,697,293	$ (1,759,965)
Per Pupil Revenue	1,765,442	1,148,543	1,132,160	(16,383)
Capital Construction	60,000	39,750	44,423	4,673
Grants	215,000	605,000	211,507	(393,493)
Donations and Contributions	6,400	6,500	36,173	29,673
Investment Income	-	-	85	85
TOTAL REVENUES	12,629,108	12,257,051	10,121,641	(2,135,410)
EXPENSES				
Salaries	6,998,868	6,972,261	6,538,552	433,709
Benefits	2,958,835	2,811,382	2,294,946	516,436
Purchased Services	560,457	580,457	727,552	(147,095)
Supplies and Materials	18,000	18,000	294,584	(276,584)
Property	70,000	70,000	126,105	(56,105)
Other	30,300	30,300	15,233	15,067
Capital Lease Payments	75,000	514,374	282,996	231,378
TOTAL EXPENSES	10,711,460	10,996,774	10,279,968	716,806
CHANGE IN NET POSITION, Budgetary Basis	$ 1,917,648	$ 1,260,277	(158,327)	$ (1,418,604)
RECONCILIATION TO GAAP BASIS				
Debt Proceeds			(3,000,000)	
Capital Outlay			3,105,935	
Depreciation			(119,842)	
Capital Lease Principal Payments			106,646	
Change in Net Pension Liability and Related Items			(6,881,532)	
CHANGE IN NET POSITION, GAAP Basis			(6,947,120)	
NET POSITION, Beginning			(15,163,988)	
NET POSITION, Ending			$ (22,111,108)	

See the accompanying Independent Auditors' Report.

Colorado Department of Education

Auditors Integrity Report

District: 8043 - JAMES IRWIN CHARTER COLLABORATIVE
Fiscal Year 2016-17
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number / Governmental	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001-0999 Total Expenditures & Other Uses =	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
10 General Fund	0	0	0	0
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	**0**	**0**	**0**	**0**
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**0**	**0**	**0**	**0**
Proprietary				
50 Other Enterprise Funds	-15,163,988	10,121,641	17,068,761	-22,111,108
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	**-15,163,988**	**10,121,641**	**17,068,761**	**-22,111,108**
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	**0**	**0**	**0**	**0**

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.

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