THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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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 basic financial statements this narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2018. We encourage the readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

These financial statements are the presentation of the completion of our fourth year. Management would like to take this opportunity to commend the staff, students, families and Board Members on our fourth 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 both Governmental Activities and Business type activities.

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

Business-type activities – The Building Corporation, which has been charged with the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements on behalf of the school 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.

The school's two kinds of funds, governmental and proprietary, uses different accounting approaches.

Governmental funds - 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.

Proprietary funds – These funds are reported in the same way that the business-type are report in the Statement of Net Position and the Statement of Activities in the government-wide statements but provide more detail and additional information, such as cash flows.

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 financial decisions. Other expenditures and changes in fund balances provide 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 15 through 45 of this report.

Supplementary Information – Supplementary information is contained on pages 46 through 48, 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 $7,883 for the year ended June 30, 2018. Children's Kiva Montessori Charter School had an enrollment of 91 first through eighth graders, and 19 kindergarten students. The School received State per pupil funding of $753,768 during the 2017-2018 school year.

Other sources of revenue include donations and student fees, as well as smaller program-specific State and Federal grants.

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC. BALANCE SHEETS - GOVERNMENTAL FUND JUNE 30, 2018 AND 2017			
	2018	2017	Variance
ASSETS:			
Cash	$ 65,759	$ 90,598	$ (24,839)
Accounts receivable	3,760	663	3,097
Prepaid expenses	3,600	15,589	(11,989)
Other current assets	2,000	2,000	-
Total Assets	$ 75,119	$ 108,850	$ (33,731)
LIABILITIES:			
Accounts payable	$ 9,579	$ 1,515	$ 8,064
Accrued expenses	62,931	42,636	20,295
Total Liabilities	72,510	44,151	28,359
FUND BALANCE:			
Nonspendable	5,600	17,589	(11,989)
Restricted for TABOR	28,400	25,000	3,400
Unassigned	(31,391)	22,110	(53,501)
Total Fund Balance	2,609	64,699	(62,090)
Total Liabilities and Fund Balance	$ 75,119	$ 108,850	$ (33,730)

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC. STATEMENTS OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND YEARS ENDED JUNE 30, 2018 AND 2017			
	2018	2017	Variance
REVENUES:			
Local sources	$ 54,102	$ 28,697	$ 25,405
State and Federal sources	827,619	819,118	8,501
Total Revenues	881,721	847,815	33,906
EXPENDITURES:			
Current			
Instructional	524,871	492,866	32,005
Supporting services	418,940	348,050	70,890
Total Expenditures	943,811	840,916	102,896
Net Change in Fund Balance	(62,090)	6,899	(68,990)
FUND BALANCE, Beginning	64,699	57,800	6,899
FUND BALANCE, Ending	$ 2,609	$ 64,699	$ (62,091)

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 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 end spending excluding any bonded debt service, of which the School has none. Accordingly, a reserve for fund balance in the amount of $28,400 has been established in these financials, but adds to the negative unrestricted fund balance.

The School's Audited Financial Statements for the fiscal year ended June 30, 2018 have been prepared assuming that the School will continue as a going concern. Since the fiscal year ended June 30, 2018, the School has made significant improvements in operations and staffing to ensure long term financial sustainability. With lower than projected enrollment for the year ending June 30, 2019, instructional and operational expenses have been reduced considerably and the School has successfully prepared a conservative three-year balanced budget. Additionally, resigned board positions have been replaced with members who have strengths in the areas of finances, human resources, grant writing and fundraising. A Temporary Interim Head of School has been appointed and the board is actively searching for a longer term Head of School to meet current operational requirements.

During the fiscal year ended June 30, 2018, the School created a Building Corporation to acquire a new permanent school location. The Building Corporation successfully acquired a new facility in July 2018 which is located in the heart of the community; central to parks, the recreation center and public library. Community engagement and support has been significant with over $7,000 provided in donations and fundraising, adding to the School's fiscal year ending June 30, 2019 revenue. Additional revenue is expected as the School enters its annual fundraising season.

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 request 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, the business-type activities and each major fund of The Children's Kiva Montessori Charter School, Inc., as of and for the year ended June 30, 2018, 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.

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Traci L. May, CPA
Lenae A. Jackson, CPA
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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of The Children's Kiva Montessori Charter School, Inc., as of June 30, 2018, 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.

Uncertainty Regarding Going Concern
The accompanying financial statements have been prepared assuming that The Children's Kiva Montessori Charter School, Inc. will continue as a going concern. As discussed in Note 10 to the financial statements, the School's decrease in net change in fund balance raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Emphasis of Matter
As described in Note 1 of the financial statements, in the fiscal year ended June 30, 2018, The Children's Kiva Montessori Charter School, Inc. adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

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.

May Jackson Hendrick, LLC

Parker, Colorado
November 8, 2018

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BASIC FINANCIAL STATEMENTS

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 65,759	$ 140,013	$ 205,772
Accounts receivable	3,760	-	3,760
Prepaid expenses	3,600	-	3,600
Other current assets	2,000	-	2,000
Capital assets, net of accumulated depreciation	15,235	6,034	21,269
Total Assets	90,354	146,047	236,401
DEFERRED OUTFLOWS OF RESOURCES:			
Difference between projected and actual investment earnings on pension and other postemployment benefit plans	1,093,616	-	1,093,616
Total Deferred Outflows of Resources	1,093,616	-	1,093,616
LIABILITIES:			
Accounts payable	9,579	-	9,579
Accrued expenses	62,931	-	62,931
Noncurrent liabilities			
Due in one year	-	-	-
Due in more than one year	2,848,685	-	2,848,685
Total Liabilities	2,921,195	-	2,921,195
DEFERRED INFLOWS OF RESOURCES:			
Difference between expected and actual experience on pension and other postemployment benefit plans	115,134	-	115,134
Total Deferred Inflows of Resources	115,134	-	115,134
NET POSITION (DEFICIT):			
Investment in capital assets	15,235	6,034	21,269
Restricted for TABOR	28,400	-	28,400
Unrestricted	(1,895,994)	140,013	(1,755,981)
Total Net Position (Deficit)	$ (1,852,359)	$ 146,047	$ (1,706,312)

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, 2018

		PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGE IN NET POSITION (DEFICIT)		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instructional	$ 938,002	$ 19,482	$ -	$ -	$ (918,520)	$ -	$ (918,520)
Supporting services	692,430	-	85,663	24,156	(582,611)	-	(582,611)
Total Governmental Activities	1,630,432	19,482	85,663	24,156	(1,501,131)	-	(1,501,131)
Business-type Activities:							
Building corporation	3,591	-	-	-	-	(3,591)	(3,591)
Total Business-type Activities	3,591	-	-	-	-	(3,591)	(3,591)
TOTAL PRIMARY GOVERNMENT	$ 1,634,023	$ 19,482	$ 85,663	$ 24,156	(1,501,131)	(3,591)	(1,504,722)
		GENERAL REVENUES:					
		Per pupil revenue			753,768	-	753,768
		Contributions			-	112,787	112,787
		Other revenue			2,897	-	2,897
		In-kind contributions			-	883	883
		Investment revenue			37	-	37
		Transfers			(35,968)	35,968	-
		TOTAL GENERAL REVENUES			720,734	149,638	870,372
		CHANGE IN NET POSITION			(780,397)	146,047	(634,350)
		NET POSITION (DEFICIT), Beginning			(1,016,659)	-	(1,016,659)
		PRIOR PERIOD ADJUSTMENT			(55,303)	-	(55,303)
		NET POSITION (DEFICIT), Adjusted Beginning			(1,071,962)	-	(1,071,962)
		NET POSITION (DEFICIT), Ending			$ (1,852,359)	$ 146,047	$ (1,706,312)

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, 2018

	General Fund
ASSETS:	
Cash	$ 65,759
Accounts receivable	3,760
Prepaid expenses	3,600
Other current assets	2,000
Total Assets	$ 75,119
LIABILITIES:	
Accounts payable	$ 9,579
Accrued expenses	62,931
Total Liabilities	72,510
FUND BALANCE:	
Nonspendable	5,600
Restricted for TABOR	28,400
Unassigned	(31,391)
Total Fund Balance	2,609
Total Liabilities and Fund Balance	$ 75,119

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

Fund Balance - Governmental Fund	$ 2,609
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	15,235
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	1,093,616
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,848,685)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	(115,134)
Net Position (Deficit) - Governmental Activities	$ (1,852,359)

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES:	
Local sources	$ 54,102
State and Federal sources	827,619
Total Revenues	881,721
EXPENDITURES:	
Current	
Instructional	524,871
Supporting services	418,940
Total Expenditures	943,811
Net Change in Fund Balance	(62,090)
FUND BALANCE, Beginning	64,699
FUND BALANCE, Ending	$ 2,609

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

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, 2018

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

Net Change in Fund Balance - Governmental Fund	$	(62,090)
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.		(35,305)
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.		4,282
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.		(687,283)
Change in Net Position - Governmental Activities	$	(780,397)

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPE
JUNE 30, 2018

	Building Corporation
ASSETS:	
Current Assets	
Cash	$ 140,013
Total Current Assets	140,013
Noncurrent Assets	
Capital assets (in progress), net of accumulated depreciation	6,034
Total Noncurrent Assets	6,034
Total Assets	146,047
NET POSITION:	
Restricted	146,047
Total Net Position	$ 146,047

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2018

	Building Corporation
OPERATING REVENUES:	
Contribution income - unrestricted and temporarily restricted	$ 148,755
In-kind contributions	883
Total Revenues	149,638
OPERATING EXPENSES:	
Management and general expenses	3,591
Total Operating Expenditures	3,591
Net Operating Income	146,047
NET POSITION, Beginning	-
NET POSITION, Ending	$ 146,047

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

THE CHILDREN'S KIVA MONTESSORI CHARTER SCHOOL, INC.
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2018

	Building Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received	$ 149,638
Operating expenses	(3,591)
Net Cash Provided by Operating Activities	146,047
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets (in progress)	(6,034)
Net Cash Used by Investing Activities	(6,034)
Net Change in Cash	140,013
Cash, Beginning	-
Cash, Ending	$ 140,013

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.

Financial Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Children's Kiva Building Corporation (CKBC or the Corporation) is considered to be financially accountable to the School. The purpose of the Corporation is to hold title to property and facilitate the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property to be leased to the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a proprietary fund. Separate financial statements are not available.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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:

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Additionally, the School reports the following major proprietary fund:

The Building Corporation Fund – This fund is used to account for the activities of Children's Kiva Building Corporation.

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.

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 and CKBC.

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' and CKBC's 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.

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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefit (OPEB) Plan:

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

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

The school implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* effective for fiscal years beginning after June 15, 2017. This Statement establishes standards of accounting and financial reporting for postemployment benefits other than pensions provided to the employees of state and local governmental employers through postemployment benefit plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

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	$ 205,772

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.

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

Governmental Activities:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets:				
Leasehold improvements	$ 128,644	$ -	$ 128,644	$ -
FFE	42,495	-	-	42,495
Total Capital Assets	171,139	-	128,644	42,495
Accumulated Depreciation:				
Leasehold improvements	101,843	26,801	128,644	-
FFE	18,756	8,504	-	27,260
Total Accumulated Depreciation	120,599	35,305	128,644	27,260
Net Capital Assets	$ 50,540			$ 15,235

At June 30, 2018, the School's leases expired and the School vacated the location in anticipation of relocating to a new school building acquired by the Building Corporation. As a result, the fully amortized leasehold improvements were written-off at June 30, 2018.

Depreciation expense in the Statement of Activities - Governmental Activities for Instructional programs was $35,305.

Business-type Activities:

As of June 30, 2018, the Building Corporation capitalized $6,034 of costs related to the purchase of the new school building; said costs will be depreciated over the life of the new school building once the school purchase is finalized.

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.

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS

Note Payable, bank (Continued)
During the year ended June 30, 2018, the School paid off the note payable balance of $4,281 and recognized $7 in interest expense.

NOTE 4 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan
Plan Description – Eligible employees of CKMCS are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-finacial-reports.

Benefits Provided as of December 31, 2017 – 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 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.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

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.

As of December 31, 2017, 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.

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, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	5.00%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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 $82,340 for the year ended June 30, 2018.

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

At June 30, 2018, CKMCS reported a liability of $2,785,084 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. CKMCS proportion of the net pension liability was based on CKMCS' contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, CKMCS' proportion was .0086128314 percent, which was an increase of .0011087052 percent from its proportion measured as of December 31, 2016.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2018, CKMCS recognized pension expense of $773,985. At June 30, 2018, 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	$ 277,468	$ 173
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	762,342	113,885
Contributions subsequent to the measurement date	44,271	-
Total	$ 1,084,081	$ 114,058

$44,271 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, 2019.

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,	
2019	$ 116,610
2020	25,185
2021	17
Total	$ 141,812

Actuarial assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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 actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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 most recent 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:

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 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%.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate – The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- 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.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

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 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	$ 3,518,034	$ 2,785,084	$ 2,187,812

Pension plan fiduciary net position – Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years. A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, CKMCS reported a liability of $2,785,084 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the CKMCS proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017.

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 1,258,277

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $1,526,807 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the Pension Plan

Plan description - Eligible employees of CKMCS are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and CKMCS is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from CKMCS were $4,509 for the year ended June 30, 2018.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

At June 30, 2018, CKMCS reported a liability of $63,600 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. CKMCS' proportion of the net OPEB liability was based on CKMCS contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, CKMCS' proportion was .0048937813 percent, which was an increase of .000628341 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, CKMCS recognized OPEB expense of $6,314. At June 30, 2018, CKMCS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,809	$ 11
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	301	1,064
Contributions subsequent to the measurement date	2,424	-
Total	$ 9,534	$ 1,075

$2,424 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,:	
2019	$ 5,480
2020	4,141
2021	2,801
2022	1,460
2023	120
Total	$ 14,002

Actuarial assumptions - The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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 percent in agenda
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PEARCare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

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.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	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%	

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%.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the CKMCS' proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 61,850	$ 63,600	$ 65,707

Discount rate - The discount rate used to measure the total OPEB liability was 7.25 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 health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- 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.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

NOTE 5 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of CKMCS' proportionate share of the net OPEB liability to changes in the discount rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 71,506	$ 63,600	$ 56,851

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

NOTE 6 CONCENTRATION OF CREDIT RISK

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

NOTE 7 RISK OF LOSS

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

NOTE 8 COMMITMENTS

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 facilitates 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, 2018, the Preschool paid CKMCS $5,716 for contracted services and CKMCS transferred $84,318 of PPOR and other funding sources, to the Preschool. As of June 30, 2018, $2,428 was due to CKMCS from the Preschool for additional contract services provided by CKMCS.

Lease Commitments

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

The first location, commonly known as the "lower elementary school", carries a three-year lease agreement with an inception date of August 2015 and monthly rent of $2,000. The second location, commonly known as the "upper elementary school", carries an eleven-month lease agreement with an inception date of August 2015 with an option for the School to renew the lease for an additional two years and monthly rent of $800. Occupancy expense for the year ended June 30, 2018 was $37,362. Both leases terminated on June 30, 2018.

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

Taxpayer's Bill of Rights (TABOR)

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

Current Vulnerability Due to Certain Concentrations and Uncertainties

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

NOTE 9 EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 8, 2018, the date which the financial statements were available to be issued.

NOTE 10 CONTINGENCIES – GOING CONCERN

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As shown in the accompanying Statement of Revenue, Expenditures and Change in Fund Balance – Governmental Fund, the School incurred a Net Change in Fund Balance decrease of $62,090 during the year ended June 30, 2018. During the current year, the School borrowed funds from the Tabor Restricted Fund Balance to meet cash flow needs when budgeted funding sources were not received as anticipated and expenditures exceeded budgeted expectations. Additionally, the School experienced lower than anticipated enrollment numbers for the 2018/19 school year resulting in a decrease in per pupil revenue while expenditures remained constant. These factors along with the loss of the Head of School and key members of the Board of Directors created an uncertainty about the School's ability to continue as a going concern.

The Board of Directors has subsequently revised the year ending June 30, 2019 budget to address the decrease in student enrollment. The new budget reflects:

- A decrease in per pupil revenue
- A decrease in payroll expenses
- A monthly transfer of funds to savings to ensure Tabor Restricted Funds are not utilized

Additionally, the Board of Directors has hired an Interim Head of School who has extensive experience in the Montessori curriculum arena. Furthermore, the Board of Directors has created a subcommittee tasked with hiring a new permanent Head of School. Lastly, the Board of Directors has replaced all resigned board positions.

The ability of the School to continue as a going concern is dependent on the success of the Board of Directors plans to meet budgeted expectations for the 2018/19 school year. While the Board expects to meet budgeted expectations, there is no assurance that this will occur.

As a result, there continues to be substantial doubt as to the School's ability to continue as a going concern within one year after issuance of the accompanying financial statements. The accompanying financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

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, 2018

	December 31,			
	2014	2015	2016	2017
School's proportion of net pension liability	0.0043469455%	0.0059947651%	0.0075041262%	0.0086128314%
School's proportionate share of the net pension liability	$ 589,157	$ 916,857	$ 2,234,269	$ 2,785,084
School's covered-employee payroll	$ 75,877	$ 261,250	$ 336,799	$ 397,300
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	776.46%	350.95%	663.38%	701.00%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	59.20%	43.10%	43.96%

* 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, 2018

	December 31,			
	2014	2015	2016	2017
Contractually required contribution	$ 29,920	$ 45,275	$ 64,511	$ 74,017
Contributions in relation to the contractually required contribution	29,920	44,226	64,511	74,017
Contribution deficiency (excess)	$ -	$ 1,049	$ -	$ -
School's covered-employee payroll	75,877	261,250	336,799	397,300
Contributions as a percentage of covered-employee payroll	39.43%	17.33%	19.15%	18.63%

* 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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Sources:	$ 22,725	$ 54,102	$ 31,377
State Sources:	898,743	818,815	(79,928)
Federal Sources:	9,754	8,804	(950)
Total Revenues	931,222	881,721	(49,501)
Expenditures:			
Instructional Services:			
Salaries and benefits	336,787	352,401	(15,614)
Materials, supplies and purchased services	156,523	172,470	(15,947)
Total Instructional	493,310	524,871	(31,561)
Supporting Services:			
Salaries and benefits	263,830	263,190	640
Materials, supplies and purchased services	167,960	155,750	12,210
Total Supporting Services	431,790	418,940	12,850
Total Expenditures	925,100	943,812	(18,712)
Excess (Deficiency) of Revenues over Expenditures	6,122	(62,091)	(68,213)
Fund Balance - beginning of year	39,014	64,699	25,685
Fund Balance - end of year:			
Nonspendable	-	5,600	5,600
Restricted for TABOR	2,000	28,400	26,400
Unassigned	43,136	(31,391)	(74,527)
Fund Balance - end of year	$ 45,136	$ 2,609	$ (42,527)

See the accompanying independent auditors' report.