



Board of Directors Meeting

September 22, 2016 • 2:30pm – 5:30pm MST
DSST: College View High School, Room 245

3111 W. Dartmouth Avenue, Denver, CO 80236

core values

Respect: Appreciating the value of a person or an object through your words, actions and attitude - treating people appropriately with common courtesy.

Responsibility: Able to be trusted and or depended upon to complete tasks, follow directions and own up to your actions.

Integrity: Being truthful, fair and trustworthy in your words and actions - doing as you say and saying as you do.

Courage: Possessing confidence and resolve to take risks and make right decisions in the face of pressure and adverse or unfamiliar circumstances.

Curiosity: Eager to learn, explore and question things to gain a deeper understanding.

Doing Your Best: Putting your best effort into everything you do.

Dial in: 303-524-6302 • PIN: 8675309

Username: **wireless-guest-101**

Password: **rzzvaDqv**

- Configure your laptop to connect to the DSST-GUEST wireless network.
- This network is set to broadcast. No security settings need to be changed for the network.
- Open your web browser. You will automatically be redirected to the DSST login page.
- Enter the username and password provided above
- Usernames and passwords are CASE SENSITIVE

TABLE OF CONTENTS

I.	Welcome	3
	• Agenda	4
II.	Approval Items	5
	• Minutes from the May 26, 2016 Meeting	6
	• Committee Charters (Audit, Finance & Operations, Nominating & Governance)	10
III.	Discussion	-
	• Strategic Planning	-
IV.	Reports	18
	• Home Office	19
	• Executive Committee/Chair	27
	• Education & Information Technology Committee	28
	• Finance and Operations Committee	30
	• Audit Committee	48
	• Advancement Committee	51
V.	Appendices	53
	• School Reports	54
	• FY16 Audit Publications	66
	• Objections to DSST	90



I. Welcome

DSST PUBLIC SCHOOLS

Board of Directors Meeting – September 22, 2016

<u>I. Welcome (25)</u> <ul style="list-style-type: none"> Board Chair Welcome (5) School Update (Lisa Richardson) Public Comment (if needed) 		Q and A	Steve H.	2:30
<u>II. Approval Items (10)</u> <ul style="list-style-type: none"> Approval of Meeting Minutes Approval of Committee Charters (Finance, Audit, Nom & Gov) Approval of Audited Financials 2016 	Pg. 6 Pg. 10 Pg. 66	Approval Approval Approval	Steve H. Steve H./ Teresa Teresa	2:55
<u>III. Discussion (60)</u> <ul style="list-style-type: none"> Strategic Planning – Discussion (60) 		Information/Discussion	Bill	3:05
<u>IV. Reports (35)</u> <ul style="list-style-type: none"> Home Office (15) Executive Committee/Chair Education & Information Technology Committee Finance & Operations Committee Audit Committee Advancement Committee Nominating and Governance New Business 	Pg. 19 Pg. 27 Pg. 28 Pg. 30 Pg. 48 Pg. 51	Information Information Information Info and Decision Information Information Information	Bill Steve H. Alex Teresa Teresa Sean Justin	4:05
<u>V. Executive Session (40)</u> <ul style="list-style-type: none"> Strategy pertaining to negotiations – expansion CEO evaluation 			Bill Steve	4:40
<u>V. Adjourn</u>			Steve H.	5:20



II. Approval Items

- **Minutes from the May 26, 2016 DSST Public Schools Board Meeting**

MINUTES

DSST Public Schools Board Meeting
May 26, 2016
DSST Conference Line (303-524-6301)

Meeting Called to Order: 2:35 p.m.

Board Members Present:

Dwight Jones
Gloria Zamora
Heather Lamm
Justin Jaschke
Peter Fritzingler
Steve Halstedt
Steve McConahey
Teresa Berryman
Alex Hernandez
Jackie Sullivan
Matthew Schnittman*
Dan Wilkerson*
Sean VanBerschoot*

*Attended via conference call

Parent Present: None

Board Members Absent: Don Kirkpatrick, Keith Evans, Deborah McGriff

DSST Staff Present: Bill Kurtz, Christine Nelson, Scott Walker

Other Attendees: Caroline Gaudiani

DPS Staff Present: None

Welcome

Mr. Halstedt welcomed everyone to the meeting.

School Director Q&A: Caroline Guadiani, DSST: Green Valley Ranch High School. Board asked numerous questions on school performance and culture which Guadiani answered. She departed the meeting at the conclusion of the Q&A.

Public Comment: None

Motion: Approval of previous board meeting minutes, Zamora

Second: Fritzingler

Vote: Unanimous Approval

Budget Resolution

Budget for the 2017 fiscal year was presented to board in board packet.

Motion to approve 2017 Budget, Fritzinger

Second: Jones

Unanimous Approval

New Board Members

Nominees: Patrick O'Keefe, Glenn Russo, George Sparks, Gina Rodriguez, Nate Easley

Motion to elect five new nominees to DSST board, Lamm

Second: Berryman

Unanimous Approval

Board Leadership Succession

Zamora left room as Halstedt shared the proposed plan to elect a new board chairperson: Zamora will become the new chair-elect and will succeed Halstedt on January 1, 2017; Halstedt will extend his term as board member and chairperson through December 31, 2016; the extension will provide time for Zamora to fully transition duties from Halstedt by end of year. Kurtz advocated for plan as it would enable Halstedt to see through the completion of the current strategic planning process begun under his leadership last fall.

Motion to approve extension of Halstedt roles and election of Zamora, Wilkerson

Second: McConahey

Unanimous Approval

401K Fiduciary Responsibility Delegation Charter

Berryman explained that there is no benefit to moving to a 403(B), as it would increase costs. Recommendation is to delegate from the board to a management team led by Scott Walker.

Motion to approve changes to charter, Lamm

Second: Sullivan

Approved unanimously

Approval of Audit and Finance Committee charters

Motion to approve revised charters for each committee, Lamm

Second: Berryman

Approved unanimously

Executive Session

Mr. Halstedt stated, "I would entertain a motion to go into Executive Session as permitted under the Colorado Revised Statutes section 24-6-402 (4) to the purpose of:

Pursuant to subsection (e) Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators; specifically the timing and location of additional schools and campuses.

Motion to go into Executive Session at 3:27PM, Berryman

Second: McConahey

Vote: Unanimous approval

Motion to end Executive Session at 4:10pm, Berryman

Second: Wilkerson

Vote: Unanimous approval

Mr. Halstedt called the regular board meeting back to order.

Strategic Planning Discussion

Kurtz and Walker provided an update on DSST Public Schools strategic planning work.

Reports

Kurtz reported that ACT scores for this year are very strong. 23.2 at DSST: GVR, which is our first middle school class. 24.3 at DSST: Stapleton, which is very high. Growth at both of these schools was greater than 3.5.

Sullivan asked how the schools would be celebrating the results and strongly suggested that our faculty in these schools should be encouraged to celebrate these extraordinary accomplishments.

Kurtz distributed language on inclusive paths and explained the importance of creating a culture that celebrates the full potential of every student, especially those that are part of our Center Based programs. The board discussed potential edits to the document.

Halstedt reported on the work of the Executive Committee, highlighting the election of Zamora and said that the group had largely completed all of its goals for the year. He said succession planning for DSST leadership beyond the CEO was a future goal.

Hernandez shared the progress the Education and Information Technology Committee has made and said the committee would continue to focus on tracking graduate outcomes and academic achievement growth, reviewing school accountability committees, and preparing for the Tech Deep Dive on June 28.

Berryman reported on Finance & Operations Committee results, stating that much of their work was ongoing and would be completed over the summer, specifically reviews of investment portfolio, long term forecast, compensation, and insurance coverage. Home office breakeven and enterprise risk management would be addressed in greater detail next fall.

Fritzinger reported that the Audit Committee work was complete and touted a clean audit for the 2015 fiscal year. He alerted the board that a comment was expected for the 2016 year reflecting DSST had no in-house CPA but did not believe this was a concern. He also shared that the audit services would be re-bid next year.

Schnittman, in reporting on the Advancement Committee, celebrated the recent success of Slice of Pi's record \$1.3 million result. McConahey discussed exploring a new group to assist in ongoing fundraising.

McConahey's report on the Nominating and Governance Committee highlighted the strength of the five newly nominated board members and the strong pipeline of twenty prospective members to be considered for future years. He also expressed a desire to find opportunities for social interactions amongst the board, particularly to help integrate new members.

Acknowledgement of Don Kirkpatrick and Steve McConahey's service

Halstedt asked the board to acknowledge this was the last board meeting of Kirkpatrick and McConahey, whose terms were ending per the board's term limit policy. He expressed great thanks and appreciation for their service and the tremendous contributions they had made to DSST.

*The board wants to thank Don and Steve.
Their departure from us we all grieve.
Their wisdom and smiles
Both go on for miles,
But per policy, now they must leave.*

Motion to recognize the contributions of Don Kirkpatrick and Steve McConahey, Halstedt

Second: Fritzinger

Vote: Unanimous approval

Motion for adjournment of Board Meeting at 5:30pm, Zamora

Second: Berryman

Vote: Unanimous approval

Respectfully Submitted,

Christine Nelson and Scott Walker (note-takers) for Sean VanBerschot, Secretary

- **Committee Charters 2016-17**

Audit Committee Charter 2016-2017

Role

The audit committee will assist the DSST Public Schools board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the DSST Public Schools' process for monitoring compliance with laws and regulations and the code of conduct. The audit committee's role includes a particular focus on the qualitative aspects of financial reporting, organization processes for the management of risk, and compliance with significant, applicable legal, ethical, and regulatory requirements.

Authority

The audit committee is empowered to:

- Appoint, approve compensation, and oversee the work of any registered public accounting firm employed by the DSST Public Schools.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Seek any information it requires from employees-all of whom are directed to cooperate with the audit committee's requests-or external parties.
- Meet with DSST Public Schools officers, external auditors, or outside counsel, as necessary.
- Investigate any matters brought to the audit committees' attention that is within the scope of its responsibilities. Subject to the approval of the board of directors, the audit committee may retain external professionals for this purpose if, in its judgment, that is appropriate.

Membership

The audit committee will consist of at least three members of the board of directors. The board will appoint audit committee members and the audit committee chair. Each audit committee member will be both independent and financially literate. Financial expertise necessary to understand and evaluate the financial transactions and the internal control procedures of DSST Public Schools will be sufficient amongst the audit committee members to fulfill the audit committee responsibilities.

Operational Principles

The audit committee will operate under the following principles:

- The audit committee will meet at least once a year, with authority to convene additional meetings as circumstances require.
- All audit committee members are expected to attend each meeting in person or via telephone- or videoconference.
- The audit committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.
- Audit committee meeting agendas will be prepared by the chair with input from audit committee members.
- The audit committee will hold executive sessions as it deems necessary.
- Members of the audit committee will be provided appropriate briefing materials in a timely manner, and the chair will ensure that minutes are prepared.
- The audit committee chair will report at regularly scheduled board of directors meetings about audit committee activities, issues and any related recommendations.

- A brief annual report will be prepared and submitted to the board of directors which includes the audit committee's evaluation of its performance and confirmation that all responsibilities outlined in this charter have been carried out.
- The audit committee will annually review and assess the adequacy of the charter and request board approval for proposed changes.

Responsibilities

Financial Reporting

- Approve annual audited financial statements prior to submission to external entities or regulators. Review them with management and, as applicable, with external auditors to consider whether they are complete, consistent with information known to audit committee members and reflect appropriate accounting principles.
- Provide audited financial statements to the board.
- Review the Internal Revenue Service Form 990 for accuracy and completeness.
- Inform management and the external auditors that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
- Review and understand the impact of significant accounting and reporting issues including: complex or unusual transactions; judgmental and high risk areas; and recent professional and regulatory pronouncements. Evaluate management plans to address such matters, auditor's views, and the basis for conclusions.
- Approve significant changes in important accounting principles and the application thereof in both interim and annual financial reports.

Audit

1. Review with management and the external auditors the results of the audit, including any difficulties encountered and or changes in the scope of the audit.
2. Review with management and the external auditors all matters required to be communicated to the audit committee.
3. Understand the scope of external auditors' review of internal controls over financial reporting.
4. Obtain reports of auditor's findings, recommendations, and comments regarding pertinent issues and monitor management's responses.
5. Review the external auditors' proposed audit scope and approach to ensure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
6. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
7. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the DSST Public Schools, including non-audit services and by discussing the relationships with the auditors. The external auditors should confirm to the audit committee that no limitations have been placed on the scope or nature of their audit procedures.
8. On a regular basis, meet separately with the external auditors to discuss any matters that the audit committee or auditors believe should be discussed privately.
9. Provide an open avenue of communication between the external auditors and the board of directors.
10. Review the findings of any examinations by regulatory agencies and any auditor observations.
11. Review the annual audit of the 401(K) program for accuracy and completeness.

Compliance and Control

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.

- Consider the effectiveness of the DSST Public Schools' internal control system, including information technology security and control as it relates to financial systems.
- Review the process for communicating the code of conduct to DSST Public Schools personnel and for monitoring compliance therewith.
- Obtain updates from management and DSST Public Schools legal counsel regarding any critical compliance matters.
- Review any other reports that DSST Public Schools issues that relate to audit committee responsibilities.
- Perform other activities related to this charter as requested by the board of directors.

Members 2016-2017

Peter Fritzing, Chair
 Teresa Berryman, Member
 Nate Easley, Member

Scott Walker, DSST Liaison

Audit Committee Goals 2016-2017

In conjunction with DSST leadership accomplish the following:

- Update charter
- Supervise the process of bidding the audit to at least 2 other firms
- If any comments are made in the management letter, determine if action should be taken and supervise the plan if appropriate.

Schedule of Meetings

<u>Date</u>	<u>Agenda Items</u>	<u>Format</u>
Sept. 6, 2016	Audit exit conference and approval of audited financial statements	Meeting
Nov. , 2016	Review the IRS Form 990	Phone Call
Feb. , 2017	Engage auditors, Review 401 (K) audit	Phone Call
May, 2017	Audit entrance conference	Phone Call

Finance and Operations Committee Charter 2016-2017

Role

The finance and operations committee (committee) will assist the DSST Public Schools board of directors in providing financial and operational oversight for the organization. Areas of oversight include annual budgeting, long-term financial planning, investment policy, facilities acquisition and planning, back office information technology applications, information technology infrastructure, and financial reporting. The committee will annually review and assess the adequacy of its charter, develop goals and request board approval.

Authority and Responsibilities

Budget and Reporting

- Review and discuss the budget within the committee and recommend approval of the budget to the board of directors
- Review reports from the Chief Operations Officer that clearly communicate financial and cash position, adherence to the budget, allocation of resources toward the accomplishment of mission, and support of any donor-imposed restrictions on contributions
- Highlight any significant known or expected budget variances for the board

Long-term Financial Planning

- Maintain a current understanding of the long-term financial plan and the sensitivity to changes in assumptions
- Ensure the long-term financial plan is consistent with the Vision and Strategic Plan
- Assess the likelihood of uncertain future events that would affect DSST's financial position
- Keep the board informed about the long-term financial health of DSST

Operations

- Serve as a consultative resource on operations for both the board and the Chief Operations Officer
- Track facility requirements and long term planning processes
- Review facility acquisitions
- Review planning for back office applications and periodically evaluate management's assessment of the ability of these resources to meet organization requirements
- Advise on information technology infrastructure deployment and planning, and periodically evaluate management's approach to meeting organizational requirements

Investments

- Maintain and monitor compliance with the Investment Policy Statement
- Offer guidance on the investment and reinvestment of assets committed to the investment program in a manner consistent with the Investment Policy Statement and the long-term financial plan
- Once a year, report to the entire board on the status of investments and confirm compliance with the Investment Policy Statement

Human Capital

- Perform an annual review of employee benefits and compensation

Internal Controls and Accountability

- Although the entire board carries fiduciary responsibility for DSST, the finance and operations and the audit committee will serve a leadership role in this area
- Ascertain leaderships success in establishing a culture and commitment to integrity and compliance
- Set board expectations for appropriate internal control procedures for financial transactions

- Review policies and procedures, insurance and other risk mitigation practices to ensure DSST sufficiently manages and protects against exposure to risk

Membership

The committee will consist of the board treasurer and at least two additional members of the board of directors. Outside financial and operational experts may also be included. The board will appoint committee members and the board treasurer will serve as the committee chair.

Role of the Chair

The board treasurer, whose specific duties are described in the bylaws, will be the committee chair. In practice these duties require an overview role and the Finance Department under the Chief Operations Officer largely handles daily transactions. Specific duties of the chair include:

- Serving as the principal liaison between the committee and the full board
- Working with the committee members and the Chief Operations Officer to set an agenda for each committee meeting
- Ensuring members are provided handouts and reports in a timely manner
- Reviewing minutes prepared by the Finance Department and ensuring members have opportunity to provide input to the minutes before they are finalized

Members

Teresa Berryman, Chair

Peter Fritzing, Member

Glenn Russo, Member

Goals

- Review and modify Committee charter
- Revamp financial reporting to the Committee and the Board
- Evaluate investment manager, the Investment Policy and cash balances for investment planning
- Examine long-term financial plan and alignment with Strategic Plan
- Review the enterprise risk management initiative including insurance coverage

Schedule

- Committee meetings will usually be held starting 2 hours prior to the board of directors meeting
- The Chief Operations Officer will schedule the special annual budget setting working meeting in April

Anticipated Meeting Agendas

September

- End of Year Financial Review
- Proposed Reporting Package for Board and Committee
- Teacher Leadership Institute Finance Presentation
- Facilities Update

October

- DSST Financial Statements and School Enrollment
- School Fundraising Policy Proposal
- Risk Management
- Investment Policy and Management

November (Board Retreat)

- Teacher Leadership Institute Finance Presentation Version 2
- Strategic Plan Draft

January

- DSST Financial Statements and School variances
- Mil and/or ProComp Implementation Plans
- Strategic Plan Impacts
- Information Technology Update
- DSST Budget Reset for Denver Public Schools (Tentative)

March

- DSST Financial Statements and School variances
- FY18 Budget and Compensation Drafts
- Budget Policy Revamp
- New long-term Financial Plan overview

April

- FY18 Budget and Compensation Version 2
- Long-term Financial Plan Version 2

May

- DSST Financial Statements and School Variances
- FY18 Budget Final Version for Board for approval
- Investment Performance

Nominating & Governance Committee Charter

2016-2017

Charter:

The Nominating and Governance Committee is responsible for board recruitment, engagement, and self-assessment. This Committee will work with other committee chairs and the Board as a whole to identify current and projected vacancies on the board and in specific committees, assess the composition of the current board, and solicit and vet nominations from current members, always working toward filling gaps in competencies and demographics and keeping the financial health of the organization as a top priority.

The Committee will also work with DSST staff to develop and maintain a description of board expectations and membership to inform prospective candidates and current Board members. The Committee will work to ensure Board engagement in DSST public schools through an in-depth new board member orientation, regular school visitations and effective information management and dissemination. Finally, this Committee will conduct regular assessments of the board's performance as a whole and create a process for each individual member's level of engagement and support.

Long Term Goals:

1. Create the best, and most highly respected Board of Directors in Denver as measured by the number and quality of community, business and thought leaders interested in membership on the Board of DSST.
2. Create a Board culture that fosters engagement and accountability as measured by the number of actual visits and meetings attended by board members.
3. Create sustainable Board governance infrastructure (nominating, evaluation and orientation processes, board information repository and archive process).

Fiscal Years 2016-2017 Objectives:

I. Board Development

- New Board members: Cultivate a pipeline of exceptional new Board prospects that are available for appointment as time and need determine. Prospects for our Board will be evaluated against the stated Vision 2020 and our longer-term "What Next?" vision and the needed skill sets to achieve them.
 - Develop detailed criteria and gap analysis for Board candidates. In 2016/2017 specific focus will be on recruiting new board members who add diversity and specific skill sets to the Board in order to help us better reflect the population of students we serve and help position DSST to achieve its longer term vision.
 - Onboard new Board members: Hold a New Board Member Orientation each year.
- Create a Board culture that fosters engagement through regularly scheduled Board and school events including school tours, external evaluation of schools and school leader dinners.
- Resolve specific questions and needs of the Board relating to terms and succession and make specific recommendations to the Board regarding these matters.

II. Board Evaluation

- Board level: Develop and deploy an annual survey for the overall Board to evaluate our work in supporting the overall organization. This should include a 360-degree evaluation to give staff a chance to evaluate Board effectiveness.
- Committee level: Include a section for each Committee in the annual survey to evaluate their committee work in support of the overall organization. Also use charters and progress toward each charter goal as basis for evaluation.

- Individual level: Develop and utilize criteria for individual participation on the Board, including financial contribution and engagement; assist in the development of individual Board action plans as necessary.

Deliverables:

Each board meeting	Report on the progress toward above objectives
Sept. 12/Oct. 10 2016	New Board Orientation
October 2016	Board and committee surveys completed and analyzed; committee membership and leadership completed; committee charters finalized
November 2016	Listing of prescreened Board prospects; Calendar for school engagement and accountability events
March 2017	Recommendations for new Board candidates
June/July 2017	All new Board members confirmed

Committee Meeting Schedule:

September 19, 2016	9:30am- Teleconference
October 25, 2016	1:00pm- Byers High School
January 19, 2017	1:00pm- TBD
March 23, 2017	1:00pm- Conservatory Green Middle School
May 25, 2017	1:00pm- Green Valley Ranch High School
June 15, 2017	1:00pm- Home Office

Committee Members:

- **Chair: Justin Jaschke**
- **Gloria Zamora**
- **Dan Wilkerson**
- **Steve Halstedt**
- **Regina Rodriguez**

Staff Liaison:

- **Heather Lamm**



IV. Reports



Home Office

a. Academic Team Update

- Teacher TCP placement
- Analyze Fall PSAT/SAT/MAP data
- Finalize assessments changes for 2016-17 (outsource printing, all online administration, etc.)
- Preparing PD on 2016-2017 Special Education focus areas for upcoming C3 and Leadership Team meetings
- Opening a new Center program for students at GVR MS
- Planning PD on literacy, math, science, SS, and Spanish focus areas for 9/23 C3
- Developing all instructional leaders on our instructional coaching focus (choosing effective action steps for teachers)
- Norming all coaches on our TE rubric and ensuring new leaders pass “norming mastery check” before diagnostic window begins
- Preparing for first round of universal Engrade administration for assessments
- Rolling out external PD opportunities to our Accomplished – Master teachers in alignment with TCP placement process
- Embarking on a process to refine the network vision for and approach to teacher professional development

b. Advocacy Update

The Advocacy Team continues its work to support new campuses and our expansion. Supporting Henry's enrollment was a priority these past couple months, focusing on connecting to families via house visits, direct phone calls and registration. In June, we received placement for campus 8 in Montbello and are now gearing up for student recruitment and community engagement work in the neighborhood to increase awareness among families about DSST: Montbello to ensure a successful first round of DPS School Choice. We will be targeting feeder elementary schools and neighborhood centers, as well as building relationships with community leaders.

Another area of focus for the team is the DPS Bond and Mill Levy ballot measures, 3A and 3B. Our goal is to facilitate voter education and engagement of our DSST families and staff. We are outreaching to families through back-to-school nights, STPs and other parent meetings, one-on-ones and direct family communications from schools.

c. College and Alumni Support & STEM Partnerships

College and STEM Initiatives

DSST's Class of 2016 are officially college freshmen! Via our partnership with local app developer Unleash, we've been able to “participate” in this experience as well. Alums posted photos of their college move-in days. Thanks to founder and former Board Member David Greenberg for (literally) moving in DSST alums and University of Denver freshmen.

DSST high school students also headed to college campuses and abroad this summer. Through our partnership with Worcester Polytechnic Institute, two DSST: GVR and DSST: Cole HS students participated in their summer Frontiers Program. Thanks to the Global Livingston Institute and the leadership of DSST: GVR's Jeremy Wickenheiser and DSST: STP's Lewis McCall, DSST: GVR and DSST: STP students participated in entrepreneurship and conversation programs in Rwanda and Uganda. Back at home, DSST students participated in a web design/development course at Johnson & Wales via our partnership with the Office of Economic Development. Students also attended the University of Colorado Boulder's KeyBank Business Leadership program. DSST: GVR Eship student Matthew Telles and his team won the pitch competition.

DSST's EShip Founder and Director Jeremy Wickenheiser pitched at the Aspen Ideas Festival this June. Check out his pitch [here](#). DSST: GVR parent Brian Cordova spoke about his experience as an EShip parent at Denver Startup Week just this week as well.

Twenty-five alumni returned to DSST campuses this summer as Summer Fellows and Summer Fellow Leaders. The Summer Fellows supported and lead summer school classes. The Summer Fellow Leaders were returning Summer Fellows who assumed a mentorship role for new Fellows and lead summer school classes. The Summer Fellows program is designed to facilitate a talent pipeline of DSST alumni-teachers.

We are also excited to welcome back DSST: STP alum Breiana Pledger, class of 2009, to our DSST team. Breiana will be joining us as the College and STEM Initiatives Coordinator. She most recently finished a Fulbright year teaching English in Greece. Prior to that she taught kindergarten at Rocketship Education as a Teach for America corps member. She graduated from Occidental College in 2013.

d. Communications Update

As the DSST network grows in size it is becoming increasingly important to ensure good internal communication among the home office and 11 schools, as well as external communications with our diverse audiences. To that end, we are thinking about our work and our priorities in both of these arenas. On the internal communications front, we are focused on increasing the accessibility and understanding of the Home Office. We are working to develop a communications/content calendar that will help us manage and prioritize our network-wide messages. We are also gearing up for our first round of town halls, which give our staff an opportunity to learn more about high priority network items as well as an opportunity to ask questions of our leadership.

On the external communications front, we are in the middle of our regular fall cycle where performance results are released and then need to be analyzed and communicated to various constituencies. We are also spending a good deal of time working with the advocacy team on promotion and communicating the importance of the Denver ballot initiatives 3A and 3B. Additionally, we are hosting a number of tours from journalists and educators from around the country at our schools. These have been a great opportunity to give more exposure to the amazing work of our schools. We are also in the midst of updating many of our collateral materials our external facing teams use throughout the year.

We are also in the process of creating this year's strategy and collateral for student recruitment season. Our goal is to differentiate our support for our schools in order to strengthen our brand name to most accurately reflect our program to areas of town where we project our enrollment to need help. Our tactics this year will include mailed postcards, emails, open houses, tours, door knocking efforts, phone calls, website updates, feeder school presentations, community center presentations and bus stop ads. Our goal is to also do a better job of creating systems to enable our schools to collect data and to better refine the list of families to contact that may be on the fence about DSST so that they understand us as an option.

Finally, the communications team is actively working to assist the goals of the collective group of CMOs working on overall charter policy and advocacy. We believe this work load will grow in the coming months as we work with other CMOs to push the district for facilities and funding equity.

e. Education Technology Update

- Executed differentiated staff training for all staff members on core Ed Tech tools, including improved structures for School Tech Leads (full time teachers who act as Ed Tech point people for their staff) to more effectively deliver trainings and support teachers.
- Released a series of new data dashboards in Polaris focused on (among other things) deeper analysis of classroom-based assessments, improved visibility into the needs of special education students, and greater clarity for the HO human capital team about characteristics of DSST staff.
- Finalized preparations for a new program called the "Ed Tech Supported Apps Portfolio", which will give schools greater support in selecting, purchasing, and implementing a variety of digital learning apps, while preserving schools choices in selecting these apps.
- Launched a project focused on collecting greater analytics about how staff want to see ed tech apps improved, including data on user behavior and enhanced real-time user feedback.

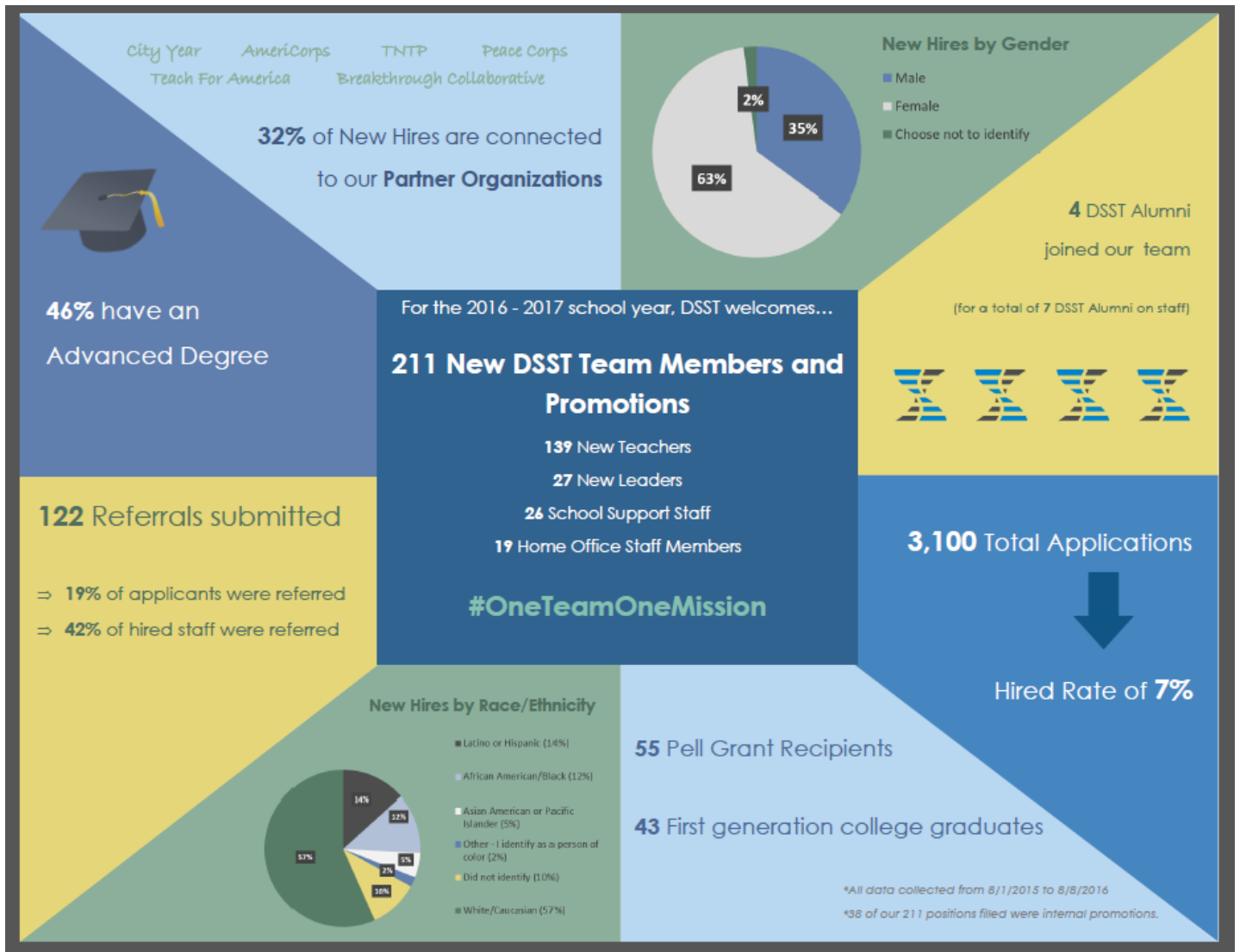
f. Human Capital Update

The Talent Acquisition Team successfully closed out of the 2016-2017 Hiring Season. You can find our Hiring Snapshot below. We are now in a period of reflection, data analysis, and planning for the kick off for the 2017-2018. We will be integrating a new Talent System as well to improve our efficiency and effectiveness.

The Employee Resources team is wrapping up their busy season ensuring that all new staff members are 100% on-boarded, systems are functioning properly, and answering any questions/concerns about policy & procedures. We are beginning to look at redesigning our benefit offerings and will continue to research to provide the best to our employees. On a compliance standpoint, the team will be working with DPS on reporting all employee demographic data, as well as start reporting for ACA.

Aubrey Lynch joined the Home Office team this summer as our Senior Manager of Employee Relations and Engagement. Aubrey came to us from STRIVE, where she was an instructional leader in their central office—and prior to that, from Chicago, where she worked for Noble as a Dean and teacher. Her background also includes HR Consulting

and she was the Executive Director of an organization that provided tutoring to students in Chicago Public Schools.



g. Operations Update

School Operations:

School Based

- Completed training and provided coaching support for summer registration and start of school
- Completed ~\$800 summer furniture and fixtures purchasing for startup and expanding schools (Byers HS, Henry MS, Cole HS, College View HS)
- Managing enrollment forecast tool to Oct 1 enrollment targets
 - All schools on track to targets except for: Cole HS, Byers HS & College View HS
- Developing refinements to FO evaluation and coaching tools and expanding to new school-based Director of School Operations piloting at 3 campuses (Byers, Cole, College View)
- Beginning Ops startup planning with Dan Sullivan at DSST: Montbello (campus 8)

- Will engage Ops startup planning for Conservatory Green High School when we have direction on facility placement and a named school leader

Facilities

- Henry
 - New school launched successfully!
 - Construction of 2 new classrooms for DSST completed Aug 15
 - Painting, markerboard addition and other aesthetic improvements completed in Aug
- Montbello (Campus 8)
 - DPS board placed us art Rachel B Noel facility
 - Currently KIPP & Collegiate Prep share the building
 - KIPP will relocate to a new facility this summer
 - Early indications are that we'll take over KIPPs 2nd floor space, which is just shy of sufficient space for our MS program
 - Long-term plan for overall space use at the building is TBD
- Conservatory Green HS
 - Working with DPS to determine year 1 & long-term placement location
- GVR
 - Renovation to build 2 new classrooms and 1 new office in the Union building completed Aug 2
 - New rooms are to support the addition of Special Education Center Programs in the MS & HS
- Byers
 - School's AD (Cassidy Greif) work out field solution for soccer games with Denver Parks & Rec
- Cole Campus
 - Bond projects to create a CHSAA soccer field and renovate 3rd floor space in the Cole building has been recommended for approval by the DPS bond committee
 - The Cole building is also slated to get classroom-level air conditioning if 3A & 3B pass
- College View
 - CHU is currently offering portions of the campus to non-district school programs interested in leasing space
 - DPS is still working to secure an agreement for cafeteria use and reciprocal access for next year
 - DPS Bond committee has recommended approval to construct a cafeteria, play field and additional parking to support the campus

Business Operations:

- Hired a new Operations Coordinator, Jenny Wool, who started in July and is reporting to Andrea Altman
 - Jenny will be coordinating school visits, managing district compliance, supporting school startup and spending 1/3 of her time supporting Ed. Tech systems
- Jared Montgomery was promoted into a Senior Manager role on the HR team, where his talents will greatly benefit DSST (but we'll miss him on the Ops team)
 - This has decreased our PMO project management capacity
- Project management support has continued, specifically:
 - Market Research Analysis—approximately 2,000 families/parents and DSST alumni were surveyed in the Denver metro area about what they value/what's

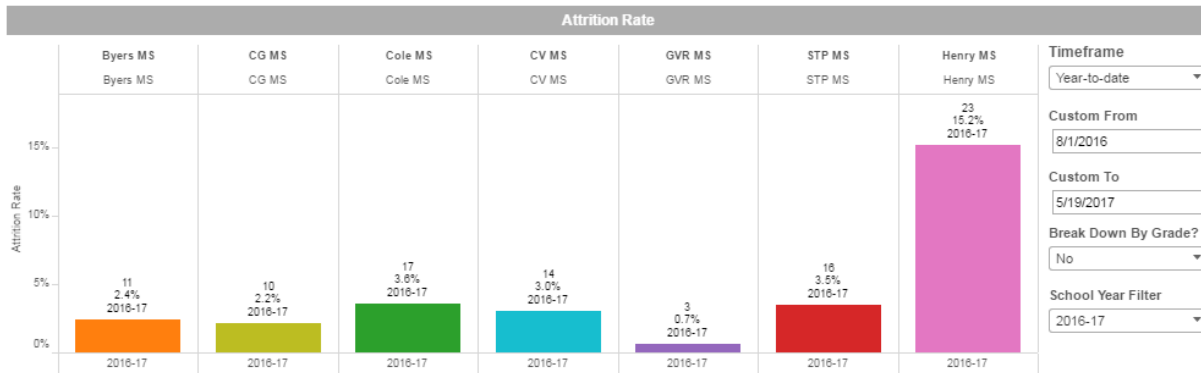
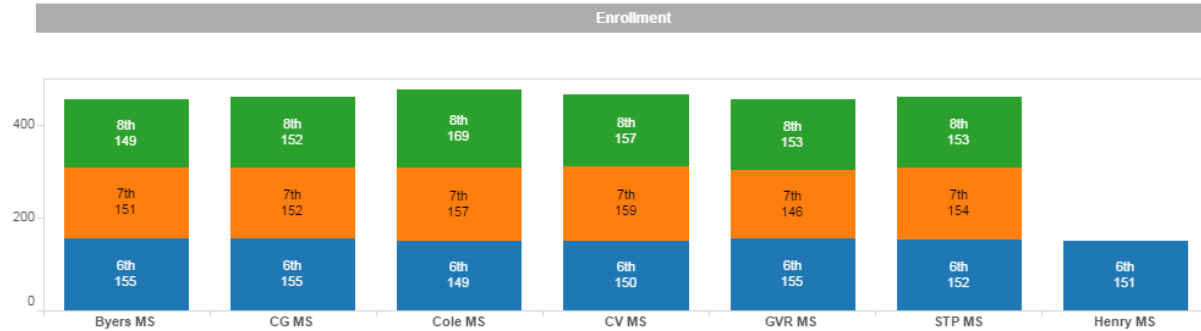
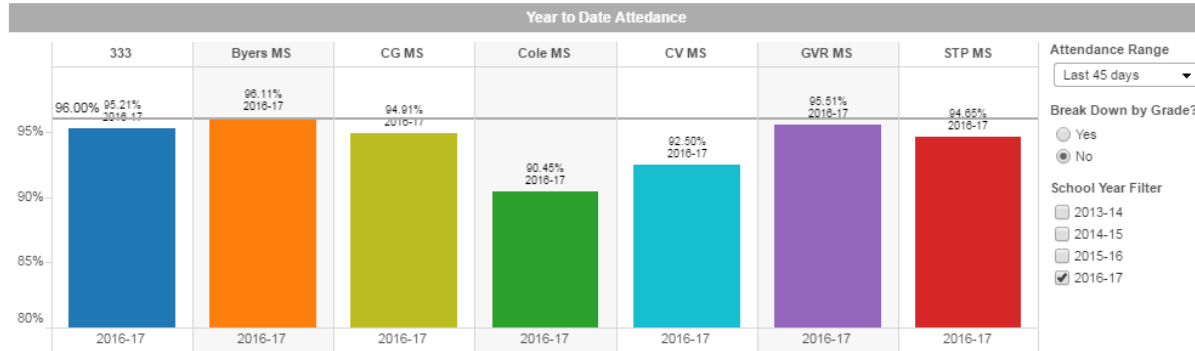
important to them in a school. These findings will be used to inform the strategic planning work

- Teacher Career Pathway (TCP)—in the midst of some Home Office transition, the Ops team has taken on managing the timeline and communication of TCP
- Compliance & Governance:
 - 10 school visits have been planned to take place Sept-November
 - Working with DPS to execute Conservatory Green HS and Montbello (Campus 8) contracts

h. Directors Report

Middle School Directors Report

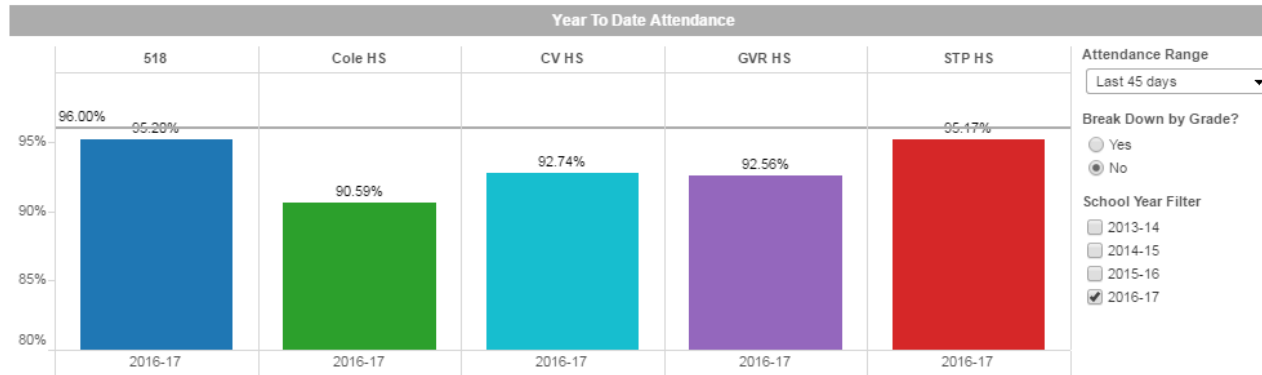
Students
Teachers
Grades



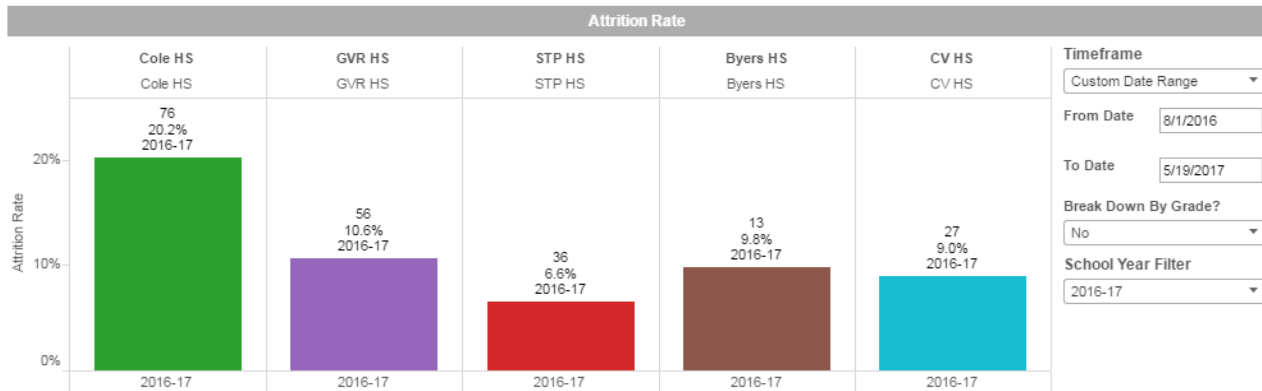
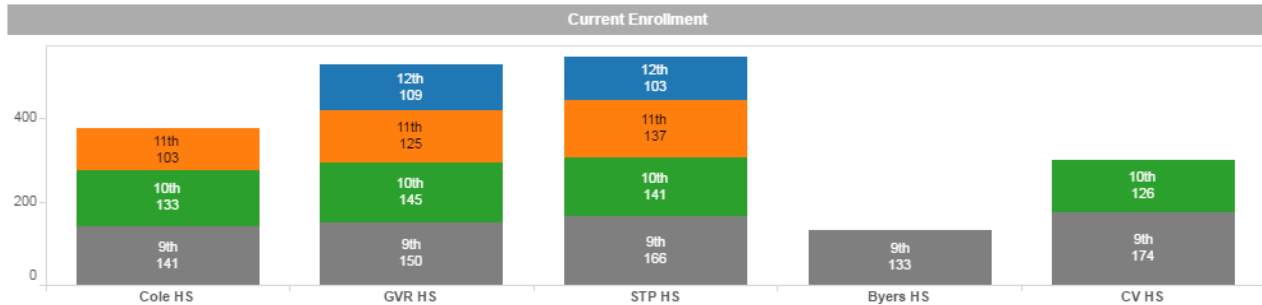
High School Directors Report

↻

Students
Teachers
Grades



Note: Attendance rates shown may not exactly match Infinite Campus ADA reports. We believe the attendance rate shown here is a more accurate indication of true attendance percentage. Please see Jake Firman for additional details.





Executive Committee and Chair's Report Reference Materials

Executive Committee Call Minutes
September 8, 2016, 2:00pm
By telephone

The Executive Committee convened by phone at 2:10 pm MDT on 9/8/16. Attending were Bill Kurtz, Steve Halsted (Chairman), Sean VanBershot, Teresa Berryman, Gloria Zamora, Alex Hernandez and Peter Fritzing.

The Committee finalized the agenda for the September 22nd Board meeting, a draft of which was sent by Bill Kurtz. The revised agenda will be attached and is incorporated by reference. Among other things the Committee decided to delay a deep dive into Fiscal 2016 academic performance until October when growth data will be available.

We discussed the ChalkBeat article about academic test results for DPS and underlying Charters, including DSST. Bill described the work he and his staff did to credibly identify and correct mistakes in the story with cooperation from the editor of ChalkBeat.

Bill updated the Committee on progress with expansion to Aurora.

Board orientations for the four new members are scheduled for September 12 and October 10, two attending each. Justin Jaschke, who could not attend this Executive Committee meeting, has done an excellent job organizing an agenda for each.

Gloria Zamora shared Committee Assignments for all Board members with Halsted and Kurtz. All members have at least one Committee assignment.

Bill will have the Board evaluation form to assess his performance as CEO sent to Board members on Monday, requesting evaluations be completed and sent in within a week. To help Board members' evaluations, the package will include fiscal 2016 financial results versus budget, the CEO Succession Plan, Bill's self assessment including accomplishments against goals for fiscal 2016, the 360 degree evaluation of Bill by direct reports, and high level data on student academic performance for the year.

Heather Lamm provided a formal resolution by the Board to support Denver Initiatives 3A (\$4.2M annual mill levy) and 3B (increase of \$575M in bond capacity), with underlying rationale therefor. This was moved by Gloria after reading the resolution and seconded by Peter. Each of the Executive Committee members supported the resolution which will be sent to the Board members by Monday for formal vote via email.

There being no further business there was a vote to adjourn at 2:52 pm.

Steven C. Halsted
Chairman



Education & Information Technology Committee

Education & Information Technology Committee Charter 2016-2017

The Education Committee is responsible for monitoring the educational quality of DSST Public Schools. The Committee will review significant network-wide academic policies and strategic direction.

The Committee will work with the Home Office to provide the Board of Directors with updates that enable the Board to compare the performance of DSST students with local, national and global metrics; track the outcomes of DSST graduates; and act as a thought leader on trends in education. The Committee will also focus on understanding and keeping the Board informed on DSST's use of educational technology and data analytics.

At the school level, the Committee will coordinate with the School Accountability Committees to monitor the performance of student learning at individual campuses.

The Chief of Schools and the Director of Education Technology will serve as the staff liaisons and will participate in meetings of the Committee.

The Committee will at all times be mindful that its role is oversight, not micro-management.

General Long Term Goals

Working with the Home Office, the Education Committee seeks to understand:

1. How DSST students perform compared to their peers in US and global education.
2. The efficacy of the DSST model in addressing various "achievement gaps," including socioeconomic, gender, and racial/ethnic performance gaps among DSST students.
3. How DSST students transition to college and perform and persist once there.
4. How technology enables continuous academic growth and productivity improvement.
5. How data and analytics might accelerate learning at DSST schools.
6. The economic impact and value proposition of a DSST education, including educating the public on DSST educational accomplishments and societal return on investment.
7. The implications of a grade 6-12 academic model, particularly in light of:
 - a. the increasing costs of higher education;
 - b. the improvement in student proficiency at earlier grade levels;
 - c. pressures on parts of the academic model (e.g. internships and college scholarships) due to replication.
8. Educational trends that might impact the DSST model.
9. How to make effective use of DSST School Accountability Committees

Education Committee Fiscal Year 2017 Objectives

1. Work with Home Office, using its tracking system for DSST graduate outcomes and college persistence, to develop and establish an annual outcomes and persistence review with the Board.
2. Work with the Home Office to gain a better understanding of achievement growth (quarterly IAs, ACTs, etc.) and gaps (socio-economic status, entry point, ethnicity, gender, etc.) within the DSST student population and to develop and establish an annual achievement growth and gap review with the Board.
3. Work with Home Office to plan and stage a community "Deep Dive" on analytics and the use of data and technology in the DSST instructional model.
4. Monitor the effectiveness of DSST School Accountability Committees in cooperation with the Nominating and Governance Committee and the Home Office.

Meeting Schedule and Topics

October 4, 2016	Committee charter discussion and approval; Education and Information Technology Committee priorities and update; Bill Durbin and Jake Firman present 2017 priorities
November 1, 2016	Scott Walker presents on achievement and equity dashboards; review Accountability Committee program
January 10, 2017	Review of scheduled Board presentation on college outcomes and persistence; initial planning session regarding Education Technology "deep dive"
March 7, 2017	[OPEN SLOT – Review IAs headed into PARCC; update on college placement?]; Prepare for Education Technology "deep dive"
April XX, 2017	Education Technology "deep dive"
May 2, 2017	[OPEN SLOT – Review of 6-12 model?]
June 6, 2017	Assessment of education committee 2015-16 performance; setting committee 2016-17 priorities

Meetings will be from 9:00AM to 10:30AM at the DSST Home Office Conference Room; call-in number 303-524-6302 PIN 9999#.

Members:

Alex Hernandez (chair)
Jackie Sullivan
Sean VanBerschoot
Deborah McGriff
Matthew Schnittman
Dwight Jones
Tom Kaesemeyer
Rolf Reitzig
Chris Lozing
Scott Wiggins

Staff Liaisons:

Bill Durbin
Jake Firman
Christine Nelson
Jessica Pallfy

dmcgriff@newschools.org, svanberschoot01@gmail.com, dwightjones567@gmail.com,
tkaesemeyer@jmfoffice.com, jacquelyn.sullivan@colorado.edu, MSchnittman@helixeducation.com,
rolf@reitzig.org, swiggans.24.7@gmail.com, clozing@techfarmer.com, jake.firman@dsstpublicschools.org,
shaun.bryant@dsstpublicschools.org, christine.nelson@scienceandtech.org, Bill.Durbin@scienceandtech.org,
swalker@scienceandtech.org, Jessica.Pallfy@scienceandtech.org, Kaitlin.Glenn@scienceandtech.org



Finance & Operations Committee

Finance Committee Meeting Minutes May 26, 2016 1:00 p.m. Status Finance Committee Goals 2015-2016

1. Evaluate investment manager, the Investment Policy and DSST cash balances for investment planning. Status: In process, June 2016
2. Continue to examine and test assumptions in the long-term forecast, especially in light of new expansion plans. Status: On-going
3. Review the updated teacher compensation plan for consistency with long term financial plan assumptions and brief board. Complete
4. Review options and plans by leadership for addressing DSST Home Office breakeven and brief board. Status: On-going
5. Collaborate where it is helpful and monitor the enterprise risk management review initiative. Status: In process, June 2016
6. Review DSST insurance coverage. Status: In process, June 2016
7. Integrate new operational areas into the committee's work. Status: Complete

Attendees

Teresa Berryman, Finance Committee Chair
Peter Fritzinger, Finance Committee Member
Heather Lamm, Finance Committee Member
Scott Walker, Chief Operating Officer
Tony Eberspacher, Accounting Manager
Matt Cullen-Meyer, DSST Finance Manager

Financial Statement Q&A

The committee members inquired about various figures in the April 2016 financial statements, which were explained by Scott, Matt, and Tony.

Fiscal Year 2016-17 Budget

The committee members inquired about areas of interest regarding the budget prepared for board approval. The enrollment figures in the budget are as precise as feasible. The enrollment procedures were revamped top to bottom. The new system for enrollment will result in better enrollment management, including improved response time to enrollment opportunities and challenges and better budgeting and forecasting. Teacher and administrator salary increases are 4% and the Home Office maximum increase is at 8%, which includes promotions. Benefits cost increases are less than 1%. The PPR is budgeted at .3% increase.

Long-Term Forecast

Scott demonstrated the impact of changing key variables in the long-term forecasting model. The model shows adding enrollment until there are 11 campuses (22 schools) at full build out by fiscal year 2025. The model shows funding needed to support the build

out costs of opening new schools under the policy of adding one grade per year. The model estimates fundraising required per year and cash balances. The model forecasts PPR based on estimates available from DPS, slightly higher enrollment targets and some changes in school staffing models. It also includes funding required for the Home Office. Variables that are unknown at this time are the impact of the Colorado Mill Levy and professional compensation participation by charter schools.

School Performance Dashboard

Scott has been working on a new approach for monitoring school performance. The network will: set standards; each school will have individual targets relative to each standard; and data and analysis will take advantage of leading indicators to make timely course corrections.

Financial Dashboard

The Finance Committee developed a dashboard to improve board financial literacy about DSST. This dashboard has not been updated. Scott suggested that his team would like to develop a tool to better educate the DSST organization about its finances. This new tool could also be used for the board. Timing to be determined.

Topics for June Agenda:

- Board designated reserves
- Enterprise risk management and insurance update
- Investment Performance, Manager and Policy Review

DSST PUBLIC SCHOOLS

Annual Financial Report for the Fiscal
Year Ended June 30, 2016

Table of Contents

Financial Highlights

Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Cash Flow

Notes to Consolidated Financial Statements

School Information

Home Office Information

Investments

Promises to Give

Equity

Definitions

Financial Highlights

- School enrollment for fiscal year 2016 was 4,000 (+19% year-over-year) compared to a base target of 3,958.
- Revenues for fiscal year 2016 were \$42.6 million compared to budgeted revenues of \$42.7 million, a negative 0.2% variance.
- Expenses for fiscal year 2016 were \$42.3 million compared to budgeted expenses of \$42.6 million, a positive 0.5% variance.
- The DSST investment portfolio generated an annual return of 3.5% in fiscal year 2016, net of management fees.

Consolidated Balance Sheets

(in thousands)

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 26,178	\$ 18,321
Restricted Cash and Cash Equivalents	-	687
Accounts Receivable	906	2,077
Prepaid PCOPs Credits	8,050	8,893
Promises to Give	4,839	10,102
Prepaid Items	141	179
Total Current Assets	40,115	40,258
Investments	12,587	12,158
Capital Assets Net of Accumulated Depreciation	668	637
Beneficial Interest in Assets Held by Foundation	139	145
Total Assets	\$ 53,508	\$ 53,198
 LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable	2,902	2,055
Deferred Revenue	337	505
PCOPS Liability	492	256
Total Liabilities	3,731	2,816
Equity	49,777	50,382
Total Equity	49,777	50,382
Total Liabilities and Equity	\$ 53,508	\$ 53,198

* Balance sheet figures exclude agency funds and fixed assets at the schools.

Consolidated Statements of Income (in thousands)

	2016		2015
<i>REVENUES</i>			
Student Revenue	\$ 702	\$	665
Governmental Revenue	37,705		30,108
Contributions & Grants	2,534		14,242
Misc Revenue	793		398
Total Revenues	41,734		45,413
<i>EXPENSES</i>			
Salaries	21,748		17,267
Additional Pay	2,007		1,437
Payroll Taxes and Benefits	6,149		4,998
Professional Development	889		615
Supplies	1,564		1,424
DPS Expenses	5,379		4,569
Professional Services	1,023		782
Operating Leases	182		176
Facilities	322		604
Technology	2,533		2,612
Misc Expenses	544		465
Total Expenses	42,339		34,949
<i>NET INCOME</i>	\$ (605)	\$	10,464

* Income statement figures exclude inter-fund transfers, agency fund transactions and depreciation at the schools.

Consolidated Statements of Cash Flow (in thousands)

	2016
<i>OPERATING ACTIVITIES</i>	
Net Income	\$ (605)
Changes in Operating Assets and Liabilities	
Accounts Receivable	1,171
Prepaid Expenses	880
Promises to Give	5,263
Accounts Payable	847
Deferred Revenue	(168)
PCOPs Liability	236
Cash Provided by Operations	<u>7,624</u>
 <i>INVESTING ACTIVITIES</i>	
Investments	(423)
Purchase of Property & Equipment	<u>(30)</u>
Cash Provided by Investing	<u>(453)</u>
 Change in Cash and Cash Equivalents	 7,171
Cash and Cash Equivalents, Beginning of Year	<u>19,007</u>
Cash and Cash Equivalents, End of Year	<u>\$ 26,178</u>

Notes to Consolidated Financial Statements

(Tabular dollars in thousands, except per student amounts)

1. School Information

School revenues were \$215 thousand (or 0.5%) worse than budgeted. The variance was primarily due to lower than expected contributions & grants at schools.

School expenses were \$749 thousand (or 1.8%) better than budgeted. Significant variances included lower technology installs (positive \$280 in Technology), E-Rate debt write-off expense (negative \$130 in Misc Expenses), lower health premiums (positive \$113 in Payroll Taxes and Benefits) and lower salary costs (positive \$95 in Salaries).

Student enrollment during fiscal year 2016 was 4,000. The Budget refers to the January Reset.

School Statement of Income

	Actuals	Budget	Variance
<i>REVENUES</i>			
Revenue	\$ 702	\$ 694	\$ 8
Governmental Revenue	38,575	38,439	136
Contributions & Grants	266	640	(374)
Misc Revenue	15	1	14
Total Revenues	<u>39,558</u>	<u>39,773</u>	<u>(215)</u>
<i>EXPENSES</i>			
Salaries	18,206	18,300	95
Additional Pay (School)	980	939	(41)
Additional Pay (Home Office)	676	743	66
Payroll Taxes and Benefits	5,418	5,586	168
Professional Development	196	241	45
Non-Instructional Supplies	356	348	(8)
Instructional Supplies	1,044	1,102	59
DPS Expenses	5,379	5,374	(5)
Professional Services	360	349	(11)
Fees to CMO	6,304	6,304	(0)
Operating Leases	89	93	4
Facilities	285	416	131
Technology	312	674	362
Misc Expenses	159	44	(116)
Total Expenses	<u>39,763</u>	<u>40,512</u>	<u>749</u>
<i>NET INCOME</i>	<u>\$ (205)</u>	<u>\$ (739)</u>	<u>\$ 533</u>

* excludes CMO contributions, school surpluses, expense buffers and Tabor reserves.

2. Home Office Information

Home office revenues were \$741 thousand (or 8.0%) worse than budgeted. The variance was primarily due to a PCOP credit transfer to schools, recorded as a counter-revenue of \$870 thousand in Governmental Revenue.

Home office expenses were \$337 thousand (or 3.0%) better than budgeted. Significant variances included lower consulting cost (positive \$121 in Professional Services), lower salary costs (positive \$103 in salaries) and lower technology installs (positive \$83 in Technology).

Home Office Statement of Income

	Actuals	Budget	Variance
<i>REVENUES</i>			
Governmental Revenue	\$ (870)	\$ -	\$ (870)
Contributions & Grants	2,268	2,650	(382)
Fees to CMO from Schools	6,304	6,304	0
Misc Revenue	778	267	511
Total Revenues	8,480	9,221	(741)
<i>EXPENSES</i>			
Salaries	3,543	3,646	103
Additional Pay	350	326	(25)
Payroll Taxes and Benefits	731	728	(3)
Professional Development	693	757	64
Supplies	165	126	(39)
Professional Services	663	811	148
Operating Leases	93	91	(2)
Facilities	37	40	3
Technology	2,222	2,307	85
Misc Expenses	384	387	2
Total Expenses	8,880	9,217	337
NET INCOME	\$ (400)	\$ 4	\$ (404)

Home office expenses on a per student basis are as follows. Total per student budgeted expenses for fiscal years 2016 and 2015 were \$2,304 and \$2,430, respectively.

Home Office Expenses per Student

	2017 Budget	2016 Actuals	2015 Actuals
Salaries & Benefits	\$ 1,155	\$ 1,068	\$ 1,003
Discretionary Items	691	721	643
	1,846	1,790	1,646
Network Technology	419	430	473
Total Expenses	\$ 2,264	\$ 2,220	\$ 2,119
Proportion Covered by Grants		16.5%	10.8%

3. Historical School Analysis

Historical DPS fees at schools are as follows. Only DSST schools that share a campus with non-DSST schools pay the Charter Shared Campus Fee. Roughly half of schools pay for transportation. Per student rates as a percentage of PPR are given in parentheses.

Historical DPS Fees (per student except for PCOP)

	2017	2016	2015	2014	2013
DPS Overhead	\$ 242 (3.1%)	\$ 270 (3.5%)	\$ 238 (3.2%)	\$ 241 (3.4%)	\$ 203 (3.0%)
Special Education Service Charge	\$ 297 (3.8%)	\$ 305 (4.0%)	\$ 507 (6.9%)	\$ 491 (7.0%)	\$ 511 (7.5%)
Facility Use Fee	\$ 777 (10.0%)	\$ 775 (10.2%)	\$ 742 (10.0%)	\$ 710 (10.1%)	\$ 676 (9.9%)
Charter Shared Campus Fee	\$ 41 (0.5%)	\$ 46 (0.6%)	-	-	-
Transportation	\$ 126 (1.6%)	\$ 124 (1.6%)	\$ 124 (1.7%)	\$ 89 (1.3%)	\$ 71 (1.0%)
PCOP Penalty	10.0%	10.0%	9.8%	10.8%	14.6%

Historical CMO fees at schools are as follows. The CMO Fee is calculated as 10% of PPR. The Academic Stipends fee is used to reimburse the CMO for academic stipends that are expensed centrally. These were expensed at schools prior to fiscal year 2015. The Special Education Fee was implemented in fiscal year 2016 in response to the drop in the similarly-named DPS charge. Per student rates as a percentage of PPR are given in parentheses.

Historical CMO Transfers (per student)

	2017	2016	2015	2014	2013
CMO Fee	\$ 773 (10.0%)	\$ 761 (10.0%)	\$ 740 (10.0%)	\$ 701 (10.0%)	\$ 686 (10.0%)
Academic Stipends	\$ 43 (0.6%)	\$ 16 (0.2%)	\$ 15 (0.2%)	-	-
Special Education Fee	\$ 200 (2.6%)	\$ 202 (2.7%)	-	-	-
Network Software	\$ 31 (0.4%)	\$ 21 (0.3%)	\$ 24 (0.3%)	-	-
Connectivity	\$ 69 (0.9%)	\$ 79 (1.0%)	\$ 90 (1.2%)	\$ 88 (1.3%)	\$ 91 (1.3%)
Tech Consumables	\$ 40 (0.5%)	\$ 47 (0.6%)	\$ 56 (0.8%)	-	-

Same-school revenues and expenses for fiscal year 2016 were \$27.0 million (+7% year-over-year) and \$26.6 million (+8% year-over-year), respectively. Revenues were bolstered by strong PPR growth, additional ELPA support and the technology bond. Increases in expenses were driven by instructional salaries and DPS fees (nursing, shared campus fee, facility use fee and DPS overhead).

Same-School Changes: Consolidated

	%Δ	2016	2015
Students	2%	2,822	2,757
Revenues	7%	\$ 27,018	\$ 25,297
Expenses	8%	26,720	24,844
Net Income	(34%)	\$ 298	\$ 453

Same-School Changes: Middle Schools

	%Δ	2016	2015
Students	3%	1,792	1,739
Revenues	7%	\$ 17,218	\$ 16,074
Expenses	6%	16,643	15,699
Net Income	53%	\$ 575	\$ 375

Same-School Changes: High Schools

	%Δ	2016	2015
Students	1%	1,030	1,018
Revenues	6%	\$ 9,799	\$ 9,223
Expenses	10%	10,076	9,145
Net Income	(455%)	\$ (277)	\$ 78

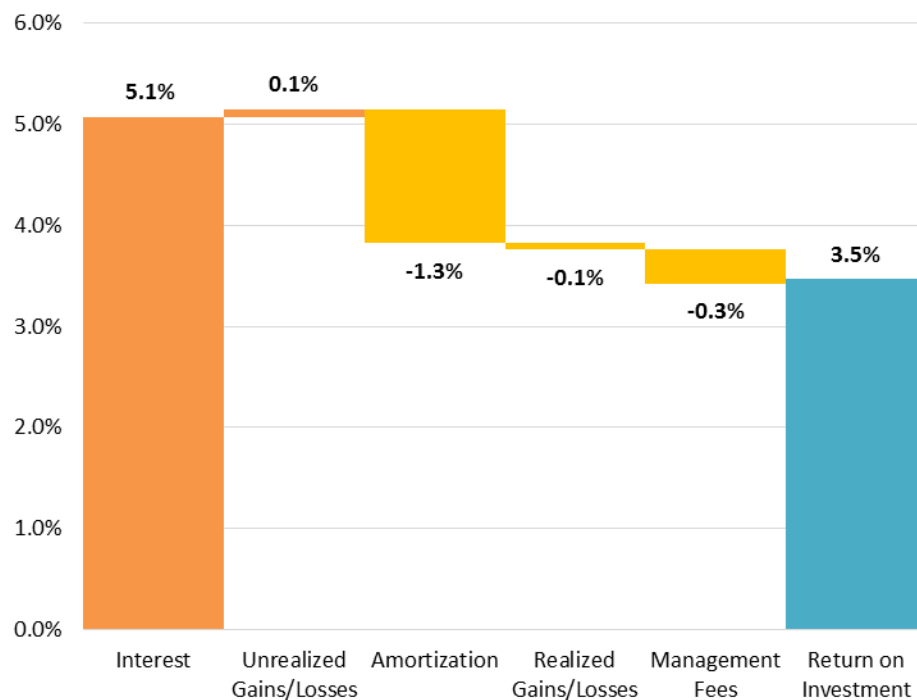
CMO Support per School

	2016	2015
Stapleton MS	\$ -	\$ -
Stapleton HS	218	98
Green Valley Ranch MS	-	-
Green Valley Ranch HS	407	411
Cole MS	-	148
Cole HS	258	392
College View MS	-	86
College View HS	252	na
Byers MS	27	391
Conservatory Green MS	347	246
	\$ 1,508	\$ 1,771

4. Investments

Investments in Tribeca, Wasmer and Zager generated a return of 3.5% in fiscal year 2016, net of management fees (or 3.4% excluding unrealized gains and losses). In dollar terms, total returns were \$429 thousand on average investments of \$12,372 thousand. Return on investment in fiscal year 2015 was 0.6%, net of management fees (or 2.0% excluding unrealized gains and losses).

Annual Return on Investment: Tribeca, Wasmer and Zager



Quarterly Returns on Investment: Tribeca, Wasmer and Zager

	Q1	Q2	Q3	Q4	FY16	Portfolio Weight	Contribution to ROI
Tribeca	-4.3%	-8.9%	3.2%	7.2%	-3.5%	15.9%	-0.6%
Wasmer	1.0%	0.8%	0.5%	6.2%	8.7%	16.8%	1.5%
Zager	0.4%	1.3%	1.4%	0.8%	3.9%	67.3%	2.6%
							3.5%

5. Promises to Give

	Collections		
	June 30, 2016	on PTG	June 30, 2015
Promises to Give	\$ 4,839	\$ 5,263	\$ 10,102
Donors			
Vision 2022	3,100	1,400	4,500
Harvey	1,333	1,321	2,654
Thirty-O'Leary	300	150	450
Walton	76	76	152
Larrk	30	-	30
Malone	-	1,466	1,466
Barton	-	500	500
Sie	-	250	250
Kern	-	100	100
	\$ 4,839	\$ 5,263	\$ 10,102
Future Collections			
FY 2017	2,839		
FY 2018	1,100		
FY 2019	900		
	\$ 4,839		

6. Equity

	June 30, 2016	June 30, 2015
Non-Spendable Fund Balance	\$ 19	\$ 14
Restricted Fund Balance		
Vision 2020	7,813	8,612
Malone	6,714	6,924
Vision 2022	5,136	5,339
Harvey	3,010	3,868
Daniels	1,659	1,912
Sie	975	975
Undesignated	2,237	2,415
Other	1,290	2,373
	28,834	32,418
Tabor Emergency Reserve	938	754
Assigned Fund Balance	11,562	11,562
Unassigned Fund Balance	7,787	4,996
Invested in Capital Assets, Net of Debt	637	637
	\$ 49,777	\$ 50,382

Definitions

- **CMO Support** is calculated as the sum of CMO transfers, QZAB credits and net PCOP credits, less net revenues.
- **ELPA** stands for the English Language Proficiency Act.
- **Expense Buffer** refers to a budgeted CMO fee of \$100 thousand at each fully built-out school (less at growing schools). Since DPS holds schools accountable to budgeted expenses *only*, the CMO charge serves to absorb unbudgeted expenses without violating DPS regulations.
- **Home Office per Student Expenses** are grouped into three categories:
 - (1) "Salaries & Benefits" include all salaries, payroll taxes and benefits.
 - (2) "Network Technology" includes staff computers, student computers, technology consumables, telecommunications and software for students/staff.
 - (3) "Discretionary Items" include all other expenses, excluding inter-fund transfers.
- **Return on Investment (ROI)** is calculated as the net revenue of investment income, amortization, realized gains/losses, unrealized gains/losses and management fees divided by the average investment balance using beginning and ending values.
- **Same-School Changes** measures the change in revenues, expenses and net income of schools that are fully built-out for the two years of consideration. For the fiscal year 2015, this included the Stapleton campus, Green Valley campus, Cole middle school and College View middle school. CMO contributions are excluded.

DSST PUBLIC SCHOOLS

Finance Definitions

- PCOPS** Pension Certificates of Participation—Denver Public Schools (DPS) issued Certificates of Participation to fund Denver Public Schools Retirement System pension plan Unfunded Accrued Actuarial Liability. The cost of paying the certificates is spread over the entire DPS population, including charter schools. Charters are charged a % of salary, currently 9.84%.
- PCOPS CREDITS** In 2013, DSST sold the buildings at the Stapleton campus to DPS. DPS is paying for the assets through a reduction of PCOPS payments from DSST to DPS each year through 2037. The amount of the credit available to DSST varies per year from a low of \$80,000 in years 2027 through 2036 to a high of \$1,230,000 in 2020. DSST has discretion in determining how the credits are allocated among the schools each year. The total amount of the credits through all years is \$13,018,140.
- QZABS** Qualified Zone Academy Bonds—Denver Public Schools issued Qualified Zone Academy Bonds in 2012 to renovate Byers. These bonds allow qualified schools to borrow at nominal interest rates. They require matching funds from a private sector/non-profit partner equal to at least 10% of the cost of the project. DSST provided the match and DPS is sharing in the interest savings through a credit of \$600,000 per year through FY20, \$250,000 in FY21 and none thereafter. The credits are taken as a reduction of facility fee and distributed among DSST schools per DSST discretion.
- PPR** Per Pupil Revenue—State funding providing the bulk of the operating revenue for K-12 education in Colorado. The amount varies with student population (primarily dependent on Free and Reduced Lunch percentage).
- FRL** Free and Reduced Lunch—Students who complete and application and qualify for the Federal Free and Reduced Lunch Program. Often expressed as a percentage of enrollment and used as a benchmark for determining school need.
- Title I** Title I, Part A of the Elementary and Secondary Education Act (ESEA) provides Federal funding as authorized by No Child Left Behind (NCLB). Financial assistance is provided to schools with high

numbers or high percentages (66% in DPS) of children from low-income families to help ensure that all children meet challenging state academic standards. The funds must supplement and not supplant state and local support.

Title II Title II, Part A, of the Elementary and Secondary Education Act (ESEA) provides Federal funding as authorized by No Child Left Behind (NCLB). Financial assistance is provided to increase student achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom. The funds must be supplemental to state and local support.

Title III Title III, Part A, of the Elementary and Secondary Education Act (ESEA) provides federal funding as authorized by No Child Left Behind (NCLB). Financial assistance is provided to help ensure that children who are limited English proficient attain English proficiency and meet the same challenging State academic content and student achievement standards as all children are expected to meet. The funds must be supplemental to state and local support.

ERP/HRIS Enterprise Resource Planning/Human Resource Information System—ERP is defined as the ability to deliver an integrated suite of business applications, ERP tools share a common process and data model, covering broad and deep operational end-to-end processes, such as those found in finance, human resources, and distribution. DSST recently signed a contract with Tyler Technologies to implement a new ERP system-Infinite Visions.

TCP Teacher Career Pathway—DSST's strategy, developed by a collaborative group of teachers, leaders, and staff to develop and retain effective teachers. TCP offers a systematic and coordinated approach to recognizing and developing great teachers as they progress through five career stages (novice, developing, accomplished, lead, and master). Teacher success is measured through student achievement, culture contributions, team (leadership), and instructional practices.

CMO Charter Management Organization—Central administrative functions of running the network (Human Resources, Development, Academic Assessment and Accountability, Finance, Operations, Technology, and Executive functions) are operated through the CMO, frequently referred to as the "Home Office".

SpEd

Special Education—Services provided to students identified as requiring additional support through an Individualized Education Program. Services can be provided through Denver Public Schools or through DSST employees/contractors. Denver Public Schools charges a fee to each charter school for SpEd support.

**Compact
Blue**

Funded by the Bill and Melinda Gates Foundation and fiscally managed by the Denver Public Schools Foundation, Compact Blue is a Peer-to-Peer learning program among Denver Public Schools District run and charter schools. It seeks to increase the number of high-performing schools in Denver and institutionalize structures to support cross-pollination of best practices across all schools, regardless of governance structure.



Audit Committee

Audit Committee Meeting Minutes September 6, 2016

Attendees

Peter Fritzing, Audit Committee Chair
Nate Easley, Audit Committee
Teresa Berryman, Audit Committee

Anthony Eberspacher, DSST
Nick Plantan, DSST

Dave Studebaker, Eide Bailly LLP

Minutes:

- 1) In-person meeting was convened at 2:00 PM.
- 2) An agenda for the meeting is attached.
- 3) Management confirmed that they will rebid the audit this year to at least two new firms. There is no dissatisfaction with Eide Bailly and they may be rehired. Management will send to the committee an overview of the process, including timing and who will be invited to bid. Goal is to have the current year's auditor identified by February. The committee offered to help with the process if requested.
- 4) Committee responsibilities: No changes were proposed to the charter. Management will propose to the committee a plan to address the following items in the charter:
 - a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
 - b) Consider the effectiveness of the DSST Public Schools' internal control system, including information technology security and control as it relates to financial systems.
 - c) Review the process for communicating the code of conduct to DSST Public Schools personnel and for monitoring compliance therewith.
 - d) Obtain updates from management and DSST Public Schools legal counsel regarding any critical compliance matters.
- 5) The committee discussed the need to see/understand the policies that are in place related to item 4 above and management will provide documents or links to the same. Also, Teresa Berryman recalled for the committee that a preliminary risk

overview document had been prepared by Scott Walker about a year ago and we agreed that would be a helpful starting point.

- 6) The evaluation of the accounting framework for gaps will be handled by management. Input to this process from the committee was done by email prior to the meeting. The committee would appreciate being kept current on this topic.
- 7) Future meetings were set for November 7th at 1 PM, February 13th at 1 PM and May 11th at 3 PM. These are currently expected to be telephonic meetings.
- 8) Teresa Berryman noted that the audited statement used to include a combining statement, showing the separate schools side by side. Management will provide that to the committee.
- 9) Dave Studebaker then joined the meeting and presented a summary of the FY16 audit and results. Prior to the meeting, the committee was provided a draft of all the audits and related letters. No significant concerns were noted and management has either addressed or has plans to address all feedback they were given. Both the auditors and the committee expressed their thanks and appreciation for the quality of the work that was done this year. Dave Studebaker then offered that Eide Bailly was happy to continue to help DSST deal with auditing standards questions arising from the recent changes in Colorado law allowing for a single audit of charter schools instead of audits for each school.
- 10) Management was then excused from the meeting and Dave Studebaker confirmed that they had no conflicts in performing the audit and there were no constraints imposed on them by management in performing the audit. He also confirmed that there are no accounting changes expected this year. The new Nonprofit Financial Reporting Standard issued by FASB is effective for fiscal years beginning after Dec. 15, 2017. In brief, the change is to reduce the number of Net Asset categories from three to two by combining the temporarily and permanently restricted categories. The new categories will be Net Assets with donor restrictions and Net Assets without donor restrictions.
- 11) A motion to approve the Audits and recommend them to the DSST Board for approval was made by Nate Easley, seconded by Teresa Berryman and unanimously approved.
- 12) The meeting was adjourned at 3:00 PM.

Respectfully Submitted,

Peter Fritzinger

Audit Committee Agenda
Sept. 6, 2016

- Discuss Audit re-bidding process
5 mins.

- Discuss committee responsibilities and possible future meeting topics
15 mins.
 1. Evaluate accounting framework for gaps (Nick)

- Set dates for future meetings
10 mins.

- Action- Review and Approve Audit for FY2016 – Eide Bailly will attend
30 mins.
 1. Last 5 mins. dismiss management and meet with Eide Bailly



Advancement Committee

Committee Chair Update:

- The Advancement Committee is excited for a new year. Thank you to the past members and chairs.
- We are currently onboarding the new members, Nate Easley, George Sparks and Patrick O'Keefe.
- Additionally, the DSST advancement staff is finalizing its strategic plan so the Advancement Committee can then draft its charter to support the DSST advancement plan and subsequently the DSST strategic plan.
- As a foreshadowing, I am excited to help the next few months and, possibly, years in this role. We have a big task ahead of us in advancement to ensure success of our mission and strategic plan at DSST. I can't yet say how the committee will need your help as the Board of Directors, but am excited and anticipatory to that conversation!!
- In the meantime, please share any thoughts you have regarding advancement with me directly, so I can work with Denise, Bill and the team and/or the advancement committee members.

Development Staff Update:

In June, the Development Team welcomed Dr. Chad Nash in the role of Senior Manager of Development. This new role will focus on cultivating and stewarding individual donors. Chad comes to DSST most recently from the Denver Scholarship Foundation, having previously worked in Advancement in the higher education realm.

Colorado Charter School Program Board Participation

As a part of the Colorado Charter School Program (CCSP) school start-up funding we have received from the State of Colorado, Conservatory Green Middle School, Cole High School, and College View High School will host CSSI visits this spring. CSSI (Colorado School Support Initiative) visits are similar to an audit and are necessary for us to receive our final installment of funds of the three-year CCSP grant. Through interviews with the Board of Directors, teachers, staff, parents, and students, the CSSI evaluators will examine the particular school over a three day visit and produce a report showing where we excel and where we can improve to best serve our students. This report will be released to the board on March 9 at 2:30 PM; at 3:00 PM there will be a conference call overview and Q&A for board members with the CSSI team.

Updates from the Development Team since the last board meeting include:

- \$150,000 matching award received from Steve and Susan Halstedt for expansion of the Entrepreneurship Program.
- \$60,225 grant awarded from Lumicore – The College-Ready Promise for curriculum alignment work.

- Federal Charter School Program (CSP) application submitted in June for \$15 million in school startup funding; award notification by end of September.
- Colorado Charter School Program (CCSP) application in progress – if awarded the direct CSP federal grant, DSST will not be eligible for CCSP funding through the state. We are preparing the CCSP application for submission in October while we await an answer on our CSP application.
- Revising Goals/Actual fundraising tracker with the finance team.
- Finalizing Development Strategy and Goals for 2016-17.



Appendices



School Reports

School Name	DSST: Byers Middle & High School	
School Director	Brad White	
Grades Served	6 th , 7 th , 8 th , 9 th	
Enrollment update	6	155 (enrolling 3 more students)
	7	151 (enrolling 7 more students)
	8	149 (enrolling 2 more students)
	9	133
	Total Enrollment	588
Brief Summary of Academic Results	<ul style="list-style-type: none"> • Successes: <ul style="list-style-type: none"> ○ For three years straight, DSST: Byers MS has been #2 in Denver in combined proficiency (#2 in 2014 TCAP, #2 in 2015 CMAS, #2 in 2016 CMAS) and been Top 3 for all secondary schools in DPS. ○ SpEd students outgrew average school growth in Math and ELA (2 points higher in Math MGP, 3 points higher in ELA MGP) ○ ELA MAP growth was 84.5 for ELLs, compared to 65 for the school as a whole. • Areas for growth: <ul style="list-style-type: none"> ○ SPED growth in ELA/Math of 70 MGP or higher ○ ELL growth in ELA/Math of 70 MGP or higher ○ High school foundations of rigor and high-quality instruction are being set with our founding team this fall. We have definite room to grow with pushing our new and continuing students as far as they can be pushed. 	
Top Two Things That are Working Well	<ul style="list-style-type: none"> • The 6-12 model is up and running and a HUGE net positive for the school community. We've only started to crack the surface of the potential for this model for DSST schools, but are already grateful for the shift. It maximizes resources and the ability to build a powerful sense of community across 7 grade levels. • Effective relationship with our STP- we have worked through years of transitions and have a very strong partnership with STP leaders this year to accomplish many ambitious goals. 	
Top Two Challenges	<ul style="list-style-type: none"> • Two administrators are out concurrently this fall on maternity leave and this continues to impact our school significantly. We need more effective network creativity around a variety of solutions for these times because the impact of leaders being out is so significant, especially when compared to teachers with long-term substitutes. There are network and school-based solutions for this that have not yet been explored and I hope we can prioritize this more in the future since we hire so many millennials who will fall into this category at one point or another. • Center program staffing is insufficient for student needs. We need at least one additional staff member and significantly more training and expertise to run this program at an acceptable level for students and families. 	

School Name	The Cole Campus (Cole MS; Cole HS)	
School Director	Becca Bloch	
Grades Served	6-11	
Enrollment update	Cole MS	6 th -143 7 th -148 8-166 Total = 457
	Cole HS	9-140 10-126 11- 102 Total = 368
Brief Summary of Academic Results	<p>Upper Academy (HS) *Current 11th graders at Cole UA scored higher than the district, state and national average on the PSAT assessment administered last spring* *72% of all student at Cole UA are approaching or above proficiency as measured by the PARCC Math and English assessment</p> <p>Middle Academy (MS) *7th grade to 8th grade math students at Cole MA experienced a 10% increase in proficiency from 2015 to 2016 *ELA and Math proficiency, as assessed by PARCC is less than 25% for Cole MA</p>	
Top Two Things That are Working Well	<p>HS *Growing a grade this year (adding a junior class) has been exciting for staff and students as our school starts to feel more and more like a “real” high school. We have many of our juniors taking on leadership opportunities in our community through tutoring and mentoring underclassmen. *Strong math results from last year’s data are encouraging for our students and school.</p> <p>MS *Our teams of teachers are really working well to support one another. *We’ve added music to the curriculum as well as PE for our 8th graders.</p>	
Top Two Challenges	<p>Upper Academy *Continuing to keep our team strong while we expand – always a challenge as schools grow. *Offering more clubs – we offer many exciting electives this year, but I’d like to increase our after school offerings for students.</p> <p>Middle Academy *The culture at the MA is not in a good place – students are not living our core values on a consistent basis and we have numerous students with incredibly challenging behaviors. We have a plan in place that targets the 7th grade and we will expand to all grades. We are also going to add an additional dean. *We have a high number of new teachers which is hard when our culture isn’t where it needs to be.</p>	

School Name	DSST: College View Middle School	
School Director	Erin Dillon & Jacquelyn Seigle	
Grades Served	6-8	
Enrollment update	6 th	146
	7 th	158
	8 th	153
	Total Enrollment	457
Brief Summary of Academic Results	<p>CMAS 15-16: In ELA, our class of 2020 and 2021 showed a 6.2% and 7.6% growth in overall proficiency. In Math, the class of 2020 grew 3% in their proficiency, and the class of 2021 grew 23% in their proficiency, which is both the highest in all of DSST and the 3rd highest in DPS.</p> <p>MAP 15-16: 7th grade-highest math and reading growth in the network. 6th grade-second highest reading growth in the network.</p>	
Top Two Things That are Working Well	<ul style="list-style-type: none"> • ELL Programing: We've started a Spanish class for our native Spanish speakers. We're also giving extra support for emerging bilingual students through an English Language Acquisition intervention class. • Culture of Feedback: We're consistently seeking and providing members of our team feedback (both at the admin team and teacher levels). 	
Top Two Challenges	<ul style="list-style-type: none"> • Student Behaviors: We have a handful of students in the 7th and 8th grade that take up a lot of our teachers' and deans' time. Their behavioral and emotional needs often seem beyond what we are equipped to handle. We continue to try new strategies to help them be successful at school, but as long as those continue to be ineffective, our team spends time dealing with those challenges instead of focusing on instruction. • Staff Retention: We had the lowest retention rate of our staff team in the network. We have goals and strategies in place to improve that rate for the upcoming year, but we've already identified staff we aren't planning on returning in 17-18 (which is very disheartening). Teachers site the behavior challenges as emotionally draining and one of the reasons they don't see this work as sustainable over time. 	

School Name	DSST: Conservatory Green Middle School	
School Director	John Clark	
Grades Served	6, 7, 8	
Enrollment update	6	155
	7	152
	8	152
	Total Enrollment	259
Brief Summary of Academic Results	<p>PARCC results</p> <ul style="list-style-type: none"> • 11th in Math Proficiency out of all DPS Middle Schools • 12th in ELA Proficiency out of all DPS Middle Schools 	
Top Two Things That are Working Well	<ol style="list-style-type: none"> 1. Leadership Team is functioning at a high level. Responsibilities are clear but the team also communicates well. 2. Data Driven Instruction – Big focus for our team this year has been regular use of student work to drive instruction. We had our first round of this the third week of school and had some great results from our team. 	
Top Two Challenges	<ol style="list-style-type: none"> 1. Knowledge of the future of our High School and the impact that has on our 8th graders choice for high school next year. 2. A couple defections (Psychologist and Paraprofessional) here at the start of the school year. 	

School Name	DSST: Green Valley Ranch High School	
School Director	Jenna Kalin	
Grades Served	9 – 12	
Enrollment update	9 th	150
	10 th	146
	11 th	128
	12 th	109
	Total Enrollment	533
Brief Summary of Academic Results	<p>Celebrations from 2015:</p> <ul style="list-style-type: none"> • ACT Composite Average 21.9, 4th highest in Denver • 10th grade SAT Composite, 4th highest in Denver <p>Red flags from 2009:</p> <ul style="list-style-type: none"> • 9th Grade PARCC data much weaker than previous year 	
Top Two Things That are Working Well	<ul style="list-style-type: none"> • New teacher onboarding felt really strong this year and our new teachers are off to a strong start in the classroom • We have rolled out a new system surrounding electives and are off to a solid start 	
Top Two Challenges	<ul style="list-style-type: none"> • We have an open Performing Arts role that we have not yet filled after losing a teacher early in the school year • Tightening enrollment- ensuring we have most accurate student rosters 	

School Name	DSST: Green Valley Ranch Middle School	
School Director	Caroline Gaudiani	
Grades Served	6 - 8	
Enrollment update	6	155
	7	146
	8	153
	Total Enrollment	454
Brief Summary of Academic Results	<p>This year we are focusing primarily on reading growth for all students, and reading and math growth for SpEd students specifically. We will be measuring this using our MAPs assessments, and we take the first of those assessments next week. That first test will give us a benchmark from which we will work to meet our growth goals in these two areas.</p> <p>Generally, our coaching team is working hard to norm to a high bar, and is currently doing walks and debriefs together to ensure that all classrooms are moving in the right direction. Each week we review our action steps for our teaching case load, and talk about how we can support teachers to the best of our ability.</p> <p>We are also introducing the Teaching Tolerance curriculum in our humanities classrooms alongside our regular curriculum. We believe this will deepen students' connection to the material and allow them to more authentically see themselves in what they are learning.</p>	
Top Two Things That are Working Well	<ol style="list-style-type: none"> 1. We revamped our after school interventions to more specifically tailor our response to student needs. This has allowed teachers to interact with students in a way that is more fulfilling, and has helped students feel more successful at school. The new program means more students can go to tutoring each week, more students can attend clubs (and we have dedicated staff to hold more clubs), and students that struggle more regularly are being supported through a leadership program instead of blanket/daily consequences. 2. Our teacher coaching cadence is very tight right now, so every teacher gets weekly observation, debrief, and some are even getting an additional data meeting. 	
Top Two Challenges	<ol style="list-style-type: none"> 1. We continue to push ourselves to ensure that we are setting a high bar in our classrooms. We are proud of our growth, but want to be driving proficiency more effectively than we have in the past. 2. As a new leader, I am learning how to effectively set-up my leadership team for success through their development and ownership of our school goals. I'm hoping to get up the learning curve fast! 	

School Name	DSST: Henry Middle School	
School Director	Lisa Richardson	
Grades Served	6	
Enrollment update	6	152
	Total Enrollment	152
Brief Summary of Academic Results	<p>At this time we do not have any new assessment data. We have been working as a team to collect incoming student data- ACCESS, Summer MAP, STAR, CMAS, IEP and 504s. In analyzing this data we have been looking to align to make sure we have students in the right classes and settings to support each student’s development and growth.</p> <p>Looking through this data we believe that we have students in the right places for support and our next steps are to really ensure that our instruction is meeting the needs of our students. We have a high number of students who have IEPs and students are significantly below grade level in reading. To support this we have shifted our Tri 1 mandatory tutoring focus to assign each teacher a small cohort of students- focusing explicitly on literacy support, building fluency and comprehension skills.</p> <p>We will begin Fall MAPs testing on 9/19 and will be excited to align this data with Performance Bands to kick off our differentiation as a way to further student engagement and instruction in all classrooms.</p>	
Top Two Things That are Working Well	<p>Admin Team- with two new to the network leaders, our admin team is doing a phenomenal job. Their commitment to our team and our kids is top notch and they are both working extremely hard to find new ways to fulfill our mission. Their mindsets, desire to learn and grow, and commitment to our vision is incredibly exciting!</p> <p>Founding team- everyone is so great and is working incredibly hard to move our vision forward!</p> <p>A third 😊- Enrollment numbers are much higher than anticipated!</p>	
Top Two Challenges	<p>Shared Campus- The dynamics and culture of the shared campus is incredibly challenging. Balancing the needs and styles of three schools and three leaders has been rough. We have decided to shift course slightly in my role working with the shared leadership team. While we have a deep desire to support all students on campus; it has been made clear that this is not a shared mindset and that the time and energy in moving this effort forward has stalled and proven to be more challenging than anticipated. Our largest concerns center on student behaviors and disruptions to our learning environment with students moving throughout the shared campus space.</p> <p>AN Center- This is a deeply concerning aspect to our current program. Our vision in having Henry legacy “own” this program has not played out. Instead, we are stuck in a bit of limbo as we are being asked to share management of this program- without</p>	

	<p>any real oversight or ability to manage the performance of the teacher. Our team has been fantastic in working to support the students in the program. However, it is not what is best for kids, or anywhere near meeting the needs of students in reaching their full potential.</p>
--	--

School Name	DSST: Stapleton High School	
School Director	Jeff Desserich	
Grades Served	9 – 12	
Enrollment update	9 th	166
	10 th	139
	11 th	136
	12 th	101
	Total Enrollment	542
Brief Summary of Academic Results	<p>Our initial CMAS results are favorable as they show our combined Math and ELA proficiency ranked us second of all high schools in DPS. We were also very proud of our Advanced Placement results since we account for just 6% of the population of DPS taking the AP Exams yet we account for 45% of the passing AP Chemistry scores, 32% of the passing AP Biology scores and 27% of the passing AP Calculus AB scores. Finally, our ACT results were, for the first time in our existence, not the highest in the district. But we were just barely behind Denver School of the Arts and still in the top 4% of all Colorado High Schools.</p>	
Top Two Things That are Working Well	<p>We have continued to have strong re-enrollment as more students are choosing to stay with us in the past two years than in previous years.</p> <p>We have had a strong start to the year in regards to attendance, system implementation and general student happiness.</p>	
Top Two Challenges	<p>We have found it challenging to support our English Language Learners in the most effective way. We have some plans in place, but we have yet to develop a comprehensive support plan in this area.</p> <p>Most staff report they feel overworked. This started with giving less work time during our TLI and has since continued. We have a very dedicated staff, but I'm not sure how sustainable this current level of work is for our staff.</p>	

School Name	DSST: Stapleton Middle School	
School Director	Jessica Heesacker	
Grades Served	6-8	
Enrollment	6 th	151
	7 th	154
	8 th	153
	Total Enrollment	458
Brief Summary of Academic Results	<p>At this time we don't have MAP or IA results for the 16-17 school year.</p> <p>15-16 PARCC Results: We are proud to announce that Stapleton Middle School was #8 of combined CMAS proficiency (#7 in Math, #9 in ELA) of all 60 middle schools in Colorado. In Science, Stapleton MS ranked #5 in proficiency in DPS.</p>	
Top Two Things That are Working Well	<ol style="list-style-type: none"> 1) We've had an extremely strong start to the school year culturally. We were very intentional with what our goals were and worked them into our TLI and early MM's, culture days with our students. Houses have them developed these ideas further in their house meetings and made sure to spiral our cultural focuses in cultural grade level MM's and in their conversations with students. 2) Our vision for community this year is really off to a strong start. We were thoughtful in planning proactively for the year in regards to ways to interact and engage our community (families, students, neighbors, local businesses) and we have already seen that transpire in some of our events (First Knight Back, MM presentations, etc.) Students are having authentic conversations in advisory about the importance of community and discussing topics that relate to us on the school level, local, and national level. They are also discussing in small and larger contexts how themes like our core values, empathy, compassion, and celebration of diversity/culture plays a role in communities. 	
Top Two	1) Hiring pipeline. We recently had our newly hired 7 th	

Challenges	<p>grade math teacher leave due to her doctor's recommendation (struggled with mental illness). The math pipeline was the weakest this past year and it took months this summer to get an allocation. I'm extremely nervous about getting any quality candidates at this point in the school year.</p> <p>2) Right now we are navigating what support will look like for the school as a whole when I'm out on maternity leave. I fully believe in my team but it is also going to be a challenge as everyone will be taking on extra responsibilities and we will be down an instructional coach/support.</p>
-------------------	--



DSST Public School FY16 Audit



Combined Financial Statements
June 30, 2016



Denver School of Science and Technology, Inc.
and Affiliates

(With Comparative Totals for 2015)

Independent Auditor's Report.....	1
Financial Statements	
Combined Statement of Financial Position.....	3
Combined Statement of Activities.....	4
Combined Statement of Cash Flows.....	5
Notes to Combined Financial Statements.....	6



Independent Auditor's Report

The Board of Directors
Denver School of Science and Technology, Inc. and Affiliates
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying combined financial statements of Denver School of Science and Technology, Inc. and Affiliates, which comprise the combined statement of financial position as of June 30, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements (the financial statements).

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver School of Science and Technology, Inc. and Affiliates as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

www.eidebailly.com

440 Indiana St., Ste. 200 | Golden, CO 80401-5021 | T 877.882.7929 | T 303.986.2454 | F 303.980.5029 | EOE

1

Report on Summarized Comparative Information

We have previously audited Denver School of Science and Technology, Inc. and Affiliates' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Golden, Colorado
September 6, 2016

DSST Public Schools
 Combined Statement of Financial Position
 June 30, 2016
 (with comparative totals for 2015)

	2016	2015
Assets		
Cash and cash equivalents, including emergency reserves of \$937,873 and \$754,245, respectively	\$ 26,278,934	\$ 19,072,088
Accounts receivable, net	610,543	1,744,070
Prepaid PCOPs credits	8,050,277	8,892,587
Promises to give, net	5,134,427	10,434,776
Prepaid expenses and other assets	141,331	179,226
Investments	12,586,519	12,157,640
Property and equipment, net	1,059,638	1,142,849
Beneficial interest in assets held by community foundation	139,177	145,136
Total assets	\$ 54,000,846	\$ 53,768,372
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 3,494,649	\$ 2,375,387
Deferred gain on sale of property	336,802	505,202
Total liabilities	3,831,451	2,880,589
Net Assets		
Unrestricted		
Undesignated	11,084,401	8,019,192
Board-designated		
Emergency reserve	937,873	754,245
Investment earnings reserve	548,503	177,336
Strategic initiatives reserve	400,000	400,000
Operating reserve	1,367,266	1,367,266
Prepaid PCOPs credits	8,050,277	8,892,587
Invested in property and equipment, net of related debt	1,059,638	1,142,849
	23,447,958	20,753,475
Temporarily restricted	26,582,260	29,989,172
Permanently restricted	139,177	145,136
Total net assets	50,169,395	50,887,783
Total liabilities and net assets	\$ 54,000,846	\$ 53,768,372

See Notes to Combined Financial Statements

DSST Public Schools
 Combined Statement of Activities
 Year Ended June 30, 2016

(with comparative totals for the year ended June 30, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue					
State per-pupil funding	\$ 30,349,486	\$ -	\$ -	\$ 30,349,486	\$ 24,513,311
Mill levy tax overrides	3,588,873	-	-	3,588,873	2,628,310
Student activity and other fees	979,766	-	-	979,766	824,242
Net investment return	485,402	-	-	485,402	120,769
Other income	257,734	-	-	257,734	313,373
Total operating revenue	<u>35,661,261</u>	<u>-</u>	<u>-</u>	<u>35,661,261</u>	<u>28,400,005</u>
Operating expenses					
Instructional	37,885,021	-	-	37,885,021	29,383,526
Administrative support	4,383,339	-	-	4,383,339	5,431,610
Total operating expenses	<u>42,268,360</u>	<u>-</u>	<u>-</u>	<u>42,268,360</u>	<u>34,815,136</u>
Change in net assets - operating	<u>(6,607,099)</u>	<u>-</u>	<u>-</u>	<u>(6,607,099)</u>	<u>(6,415,131)</u>
Nonoperating activities					
Grants and contributions	4,824,513	65,000	-	4,889,513	15,959,970
Amortization of deferred gain	168,401	-	-	168,401	168,401
Gross special events revenue	1,257,331	-	-	1,257,331	995,146
Less cost of direct benefits to donors	(65,409)	-	-	(65,409)	(43,190)
Net special events revenue	<u>1,191,922</u>	<u>-</u>	<u>-</u>	<u>1,191,922</u>	<u>951,956</u>
Fundraising and development expenses	(355,166)	-	-	(355,166)	(253,700)
Distributions from and change in value of beneficial interest in assets held by community foundation	-	-	(5,959)	(5,959)	3,930
Net assets released from restrictions	<u>3,471,912</u>	<u>(3,471,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets - nonoperating	<u>9,301,582</u>	<u>(3,406,912)</u>	<u>(5,959)</u>	<u>5,888,711</u>	<u>16,830,557</u>
Change in net assets	2,694,483	(3,406,912)	(5,959)	(718,388)	10,415,426
Net Assets, Beginning of Year	20,753,475	29,989,172	145,136	50,887,783	40,472,357
Net Assets, End of Year	<u>\$ 23,447,958</u>	<u>\$ 26,582,260</u>	<u>\$ 139,177</u>	<u>\$ 50,169,395</u>	<u>\$ 50,887,783</u>

See Notes to Combined Financial Statements

4

DSST Public Schools
 Combined Statement of Cash Flows
 Year Ended June 30, 2016
 (with comparative totals for the year ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (718,388)	\$ 10,415,426
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	417,919	417,004
Amortization of deferred gain	(168,400)	(168,401)
Use of PCOPS credits	842,310	733,571
Realized and unrealized gain (loss) on investments	1,086	(211,446)
Change in beneficial interest in assets held by community foundation	5,959	(3,930)
Changes in operating assets and liabilities		
Accounts receivable, net	1,133,527	(1,133,927)
Promises to give, net	5,300,349	(3,858,242)
Prepaid expenses and other assets	37,895	(69,704)
Accounts payable and accrued expenses	1,119,262	48,767
Net cash from operating activities	7,971,519	6,169,118
Cash flows from investing activities		
Purchases of investments	(2,231,708)	(4,015,725)
Proceeds from sales of investments	1,801,743	4,985,485
Purchase of property and equipment	(334,708)	(389,084)
Net cash from (used for) investing activities	(764,673)	580,676
Net Change in Cash and Cash equivalents	7,206,846	6,749,794
Cash and Cash Equivalents, Beginning of Year	19,072,088	12,322,294
Cash and Cash Equivalents, End of Year	\$ 26,278,934	\$ 19,072,088

See Notes to Combined Financial Statements

5

Note 1 - Summary of Significant Accounting Policies

Organization

Denver School of Science and Technology, Inc. and Affiliates, dba DSST Public Schools, transforms public education by eliminating educational inequity and preparing all students for success in college and the 21st century. DSST Public Schools is dedicated to providing an outstanding liberal arts education, with a focus on science and technology, to a diverse student population. DSST Public Schools is comprised of the following entities:

- Denver School of Science and Technology, Inc. (DSST, Inc.) is a non-profit Colorado corporation formed in 2001 to operate charter schools. DSST, Inc. presently operates six charter school campuses under contracts with Denver Public Schools (DPS); DSST – Stapleton, DSST – Green Valley Ranch, DSST – College View, DSST – Cole, DSST – Byers, and DSST – Conservatory Green.
- DSST Public Schools Foundation (Foundation) is a non-profit Colorado corporation formed in 2011 to provide philanthropic support to DSST Public Schools. The Foundation was inactive during the year and had no net assets at June 30, 2016.

Principles of Combination

The combined financial statements include the accounts of the organizations listed above because collectively, the organizations conduct the operations of the charter schools and share common management. All significant intercompany transactions and balances have been eliminated in combination.

Comparative Financial Information

The accompanying combined financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with DSST Public School's audited combined financial statements for the year June 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

DSST Public Schools considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from DPS for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2016, management considers amounts to be fully collectable and, therefore, has not recorded an allowance for doubtful accounts.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2016, management determined that no allowance was necessary.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

DSST Public Schools reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2016.

Beneficial Interest in Assets Held by Community Foundation

DSST Public Schools established a permanent endowment fund (the Fund) at a community foundation and named itself beneficiary. DSST Public Schools granted variance power to the community foundation, which allows the community foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of community foundation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the community foundation for the benefit of DSST Public Schools, and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for specified purposes.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of DSST Public Schools and/or the passage of time.

DSST Public Schools reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of DSST Public Schools.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to DSST Public Schools' program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant donated professional services or materials were received during fiscal year 2016.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$82,000 during the year ended June 30, 2016.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 8 presents total expenses by function.

Income Taxes

DSST – Stapleton High School, DSST – Stapleton Middle School, DSST – Green Valley Ranch High School, DSST – Green Valley Ranch Middle School, DSST – Cole High School, DSST – Cole Middle School, DSST – College View High School, DSST – College View Middle School, DSST – Byers Middle School, and DSST – Conservatory Green Middle School are component units of Denver Public Schools, a political subdivision of the State of Colorado, and therefore are exempt from federal and state income tax.

DSST, Inc., is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been classified as an organization other than a private foundation under Section 509(a)(1). DSST, Inc. is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, DSST, Inc. is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. DSST, Inc. has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been classified as an organization other than a private foundation under Section 509(a)(3). However, income from activities not directly related to Foundation's tax-exempt purpose is subject to taxation as unrelated business income. Foundation did not have any activity during the current fiscal year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

DSST Public Schools manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, DSST Public Schools has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of DSST Public Schools' mission.

Cash held at charter schools is governed by state statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government 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. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Cash deposits for all schools are held by DSST Public Schools in a pooled account, the first \$250,000 of which is covered by federal deposit insurance. The amounts in excess of federally insured limits are collateralized with securities held by the financial institution's agent, but not in the School's name.

For the year ended June 30, 2016, approximately 95% of DSST Public Schools' total operating revenue was derived from state per-pupil funding and Mill levy tax revenue.

Subsequent Events

DSST Public Schools has evaluated subsequent events through September 6, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the combined financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that DSST Public Schools can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, DSST Public Schools develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to DSST Public Schools' assessment of the quality, risk or liquidity profile of the asset or liability.

DSST Public Schools' investments in corporate bond unit investment trusts are classified within Level 1 because they have readily determinable fair values based on daily redemption values. A significant portion of DSST Public Schools' investments are comprised of U.S. corporate bonds and municipal bonds. These investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of DSST Public Schools' beneficial interest in assets held by community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2016:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	\$ 836,930	\$ -	\$ -	\$ -
U.S. Corporate bonds	7,881,919	-	7,881,919	-
Municipal bonds	2,102,785	-	2,102,785	-
Corporate bond unit investment trusts	1,764,885	1,764,885	-	-
	<u>\$12,586,519</u>	<u>\$ 1,764,885</u>	<u>\$ 9,984,704</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 139,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,177</u>

Below is a reconciliation of the beginning and ending balance of beneficial interest in assets held by community foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2016:

Balance at June 30, 2015	\$ 145,136
Change in value of beneficial interest in assets held by community foundation	(3,724)
Less investment management fees	<u>(2,235)</u>
Balance at June 30, 2016	<u>\$ 139,177</u>
Unrealized loss included in change in value of beneficial interest in assets held by community foundation in the statement of activities relating to assets still held at June 30, 2016	<u>\$ (6,750)</u>

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2016:

Interest and dividends	\$ 525,686
Net realized and unrealized gain	1,086
Less investment management fees	<u>(41,370)</u>
	<u>\$ 485,402</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016:

Within one year	\$ 3,134,427
In one to five years	<u>2,000,000</u>
	<u>\$ 5,134,427</u>

At June 30, 2016, three donors accounted for 85% of total promises to give. Amounts have not been discounted to present value because the amount of the discount was not material.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at June 30, 2016:

Leasehold improvements	\$ 395,673
Vehicles	236,677
Equipment	<u>2,141,445</u>
	2,773,795
Less accumulated depreciation and amortization	<u>(1,714,157)</u>
	<u>\$ 1,059,638</u>

On June 28, 2013, DSST Public Schools sold the land and buildings at DSST – Stapleton to Denver Public Schools in exchange for credits to offset future PCOPs expenses (Note 10) in the amount of \$13,018,140. The school recorded a discount of \$2,083,361, and established a prepaid PCOPs credits account for the difference. Approximately \$2,927,000 of the credits have been utilized to pay outstanding PCOPs liabilities through the year ended June 30, 2016. The remaining credits are expected to be utilized over approximately the next 21 years in accordance with an agreed-upon schedule. Under the Property Transfer and PCOP Agreement, DSST Public Schools leases the property from Denver Public Schools over a remaining period of 3 years. DSST Public Schools accounts for the leaseback as an operating lease. A realized gain of \$842,004 on the sale of the land and buildings has been deferred and is being amortized on a straight-line basis over the remaining 3-year term of the lease. \$168,400 of the deferred gain was amortized in 2016, leaving a remaining balance at June 30, 2016 of \$336,802. Denver Public Schools calculates the Facility lease payment annually based on a per-student use fee schedule and anticipated costs of operating the facility.

Facility Use Fees

Each School in the DSST network annually enters into a facility use agreement with Denver Public Schools. The Facility use fee is based on a per-student use fee schedule and anticipated costs of operating the facility. There are no future minimum commitments under these arrangements.

Note 6 - Leases

DSST Public Schools leases office and storage space under various operating leases expiring through 2019. Future minimum lease payments are as follows:

Year Ending June 30,			
2017	\$	63,183	
2018		30,459	
2019		8,117	
	\$	93,642	

Total rent expense, including facility lease fees for the year ended June 30, 2016 was \$2,126,025.

Note 7 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2016 consist of:

Restricted by donors for	
Vision 2020	\$ 7,812,863
Vision 2022	5,135,510
Professional and leadership development and compensation	13,017,295
Alumni and college support	177,613
Advocacy	256,361
Culture, curriculum development and other	182,618
	<u>\$ 26,582,260</u>

Net assets were released from restrictions as follows during the year ended June 30, 2016:

Satisfaction of purpose restrictions	
Vision 2020	\$ 799,488
Vision 2022	203,729
Professional and leadership development and compensation	1,793,189
Alumni and college support	142,252
Advocacy	139,937
Culture, curriculum development and other	393,317
	<u>\$ 3,471,912</u>

Vision 2020

DSST opened its first school in 2004 and its second in 2008. In 2009 Denver Public Schools approved charters for four additional DSST 6-12 campuses. All five of these campuses will be fully enrolled by 2020. In the fall of 2009 DSST began a fund-raising campaign, Vision 2020, in order to raise the necessary funds to support the opening of the additional campuses. The money raised through the Vision 2020 campaign is used to fund school start-up costs and organization growth. Through June 30, 2016 the campaign had recognized revenue of \$21,969,494 and recorded expansion expenses of \$14,156,631, thereby ending 2016 with a net balance of \$7,812,863. All four campuses approved in 2009 were open with at least one grade by June 30, 2016 and all remain on schedule to achieve full enrollment by 2020.

Vision 2022

In June of 2013, Denver Public Schools approved charters for two additional DSST 6-12 campuses. In the fall of 2013 DSST began a fund-raising campaign, Vision 2022 in order to raise the necessary funds to support the opening of these additional campuses. Similarly to the Vision 2020 campaign, the Vision 2022 funds are to fund school start-up costs and organizational growth. Both of the additional campuses are expected to achieve full enrollment by 2022. Through June 30, 2016, the campaign had recognized revenue of \$5,652,000 and recorded expansion expenses of \$516,490, thereby ending 2016 with a net balance of \$5,135,510. One of the two campuses has opened.

Note 8 - Functionalized Expenses

Total expenses by function were as follows for the year ended June 30, 2016:

Instructional	\$ 37,885,021
Administrative support (includes investment management fees of \$41,370)	4,424,709
Fundraising and development (includes cost of direct benefits to donors of \$65,409)	<u>420,575</u>
	<u>\$ 42,730,305</u>

Note 9 - Employee Benefits

DSST, Inc. sponsors a defined contribution retirement plan qualified under section 401(k) of the Internal Revenue Code (the Plan) covering substantially all full-time permanent employees having attained one year of service. Plan participants may contribute a portion of their total compensation to the Plan up to limits prescribed by the Internal Revenue Service. DSST, Inc. may, but is not required to contribute to the Plan. During the year ended June 30, 2016, DSST, Inc. contributed \$1,055,321 to the Plan.

Note 10 - Commitments and Contingencies

Pension Certificates of Participation

Denver Public Schools issued Taxable Pension Certificates of Participation (the PCOPs) in order to fully fund, over time, the unfunded actuarial accrued liability of its pension plan. None of the employees of DSST Public Schools participate in the Denver Public Schools pension plan. As part of the Charter agreements with each school except Stapleton, DSST Public Schools has agreed to pay fees to Denver Public Schools. The payment is calculated based upon a percentage of covered salary. DSST satisfies substantially all of this obligation through the use of prepaid PCOPs credits. Any expense in excess of available credits is paid in cash (Note 5). DSST Public Schools expensed \$1,362,004 during the year ended June 30, 2016, which represents approximately 9.95% of covered salaries, for its obligation relating to the PCOPs.

Claims and Judgments

DSST Public Schools participates in federal and state funded programs. Expenditures financed by grants are subject to audit by funding agencies, and possible retroactive adjustment or disallowance. To date, there have been no instances of adjusted or disallowed expenditures, and management believes that the possibility of any such actions on expenditures incurred is low.

Tabor Amendment

Colorado voters approved an amendment to the State Constitution, Article X, Section 20 (commonly known as TABOR), which limits state and local government taxing authority and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. DSST Public Schools believes it has complied with the Amendment. As required by the Amendment, DSST Public Schools has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2016, the reserve of \$937,873 was recorded as emergency reserve in the unrestricted net assets section of the combined statement of financial position.



September 6, 2016

To the Audit Committee
Denver School of Science and Technology, Inc. and Affiliates
Denver, Colorado

We have audited the combined financial statements of Denver School of Science and Technology, Inc. and Affiliates (DSST or the Organization) for the year ended June 30, 2016, and have issued our report thereon dated September 6, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DSST are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for uncollectible promises to give is based on historical collection rates and an analysis of the collectability of individual promises. Management has determined no allowance was necessary at June 30, 2016. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of restrictions of net assets in Note 7 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following summarizes uncorrected misstatements of the financial statements, for which management has determined the effects to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

Slice of PI events revenue	\$50,000	
Promises to Give Receivable		\$50,000
<i>To reclassify revenue recorded as event revenue instead of a reduction in receivable</i>		

The effect of these uncorrected misstatements is an overstatement of assets of \$50,000 and an overstatement of revenue of \$50,000, as of and for the year ended June 30, 2016

Management has elected to omit certain financial disclosures that have been determined to be immaterial. The omitted disclosures include the presentation of operating lease terms and future minimum payment obligations.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 6, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

The combined financial statements include the financial statements DSST – Stapleton Middle School, DSST – Stapleton High School, DSST – Green Valley Ranch Middle School, DSST – Green Valley Ranch High School, DSST – College View Middle School, DSST – College View High School, DSST – Cole Middle School, DSST – Cole High School, DSST – Byers Middle School, and DSST – Conservatory Green Middle School, which DSST operates under charter contracts with Denver Public Schools. We considered them to be significant components of the combined financial statements. Consistent with the audit of the combined financial statements as a whole, our audit included obtaining an understanding of each school and its environment, including internal control, sufficient to assess the risks of material misstatement of the combined financial statements of DSST.

This information is intended solely for the use of Audit Committee, Board of Directors and management of DSST and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Handwritten signature of Erik Bailly LLP in cursive script.

Golden, Colorado



To the Board of Directors, Audit Committee and Management
Denver School of Science and Technology, Inc. and Affiliates
Denver, Colorado

In planning and performing our audit of the combined financial statements of Denver School of Science and Technology, Inc. and Affiliates (DSST, you, your, or the Organization) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered DSST's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. Management's responses to the matters reported herein have been incorporated into this communication and appear in *italics*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in DSST's internal control to be significant deficiencies:

Preparation of Financial Statements

Management is responsible for establishing and maintaining internal control, and for the fair presentation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of the audit, we were requested to draft the financial statements and the accompanying notes thereto. Management reviewed, approved, and accepted responsibility for the financial statements and notes prior to their issuance. Reliance on the external auditors to prepare the financial statements and disclosures is considered to be a significant deficiency because actions by our Firm cannot be considered to be part DSST's internal control. These circumstances are not unusual in an organization your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the risk associated with this condition because of cost or other considerations.

Management's Response:

Management and the audit committee believe having the auditors prepare the financial statements and related financial statement disclosures is a necessary step to ensure DSST's ability to meet filing deadlines prescribed by Denver Public Schools. Because of the large number of entities under audit, the compressed time period within which the audits must be completed, and internal staffing limitations, auditor assistance is essential for timely completion of the audits. We also believe that auditor involvement in financial statement preparation helps educate our staff on newly effective accounting and financial reporting standards, and improves the overall quality of financial statement presentation. We have assessed the risk of this decision, and consider it to be low.

Segregation of Duties

One fundamental principle of internal control is the segregation of incompatible accounting duties, and where that is impossible or impractical, the establishment of compensating controls. In the absence an effective segregation of duties and compensating controls, fraud or errors are more likely to occur and not be detected and corrected in a timely manner. Due to turnover of personnel during the year, and resulting periods of time during which certain accounting positions were vacant, a proper segregation of incompatible accounting duties was not consistently maintained throughout the year. The Accounting Manager was able to initiate payments, approve the related checks submitted for payment through the bank's positive-pay verification process, and post journal entries to the general ledger, without additional oversight or review. This combination of control deficiencies increased the risk of inaccurate or unauthorized payments being made and not detected or corrected in a timely manner.

Management's Response:

Subsequent to year end, a new Director of Finance was added to our staff. The Director is responsible for reviewing and approving all disbursements and journal entries initiated or proposed by staff. Additionally, system access has been changed to eliminate overlap of incompatible accounting duties by limiting access to certain functions to specifically assigned authorized personnel.

This communication is intended solely for the information and use the Audit Committee, Board of Directors and management of DSST and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Golden, Colorado
September 6, 2016



Objections to DSST

List of Objections to DSST

1. Neighborhood schools are the backbone of our public education system; DSST siphons talented kids away from DPS neighborhood schools, weakening them and thus DPS.
2. As a Charter School, DSST takes critical resources away from DPS and its traditional public schools.
3. DSST does not have to deal with special needs kids; its program is not a solution for the typical traditional public school.
4. DSST through charitable contributions provides computers to all of its students, and this technology contributes significantly to its record of success. It is not economic or practical to provide computers to all of DPS' students and thus the success of DSST will not scale.
5. The DSST model can never break even just with the Per Pupil Operating Revenue provided by the State of Colorado (and the other relatively modest revenue sources provided by local and Federal governments). It is dependent on substantial charitable donations and is unsustainable without them.
6. DSST has an advantage in hiring talented teachers. For every opening there are multiple qualified applicants. This model cannot scale locally, in the state or nationally as ordinary teachers cannot successfully deliver the program.
7. While DSST accepts students by lottery, it is pretty much the gifted and talented kids that apply, a self-selection process. By siphoning off talented kids, DSST weakens traditional DPS public schools, and gets credit it does not deserve for the results turned in by those talented kids; they might do just as well at a traditional public school.
8. Teachers at DSST do not have the proper protection provided by the Teachers Union; most are young, naive, overworked and underpaid. This too is not sustainable.
9. Not all kids need to go to college; DSST's college ready approach is not appropriate for a large number of students many of whom would rebel at or not be able to meet this requirement.
10. Many kids are not interested in STEM; DSST's STEM approach is not appropriate for a large number of students many of whom would rebel at or not be able to meet this requirement.
11. Some feel that it makes no sense to try to even apply to DSST because they only have 1 or 2 slots available for kids from Graland or other private schools transitioning into high school.
12. Some feel that DSST has had to give up creativity and flexibility in its curriculum in order to ensure that everyone makes his/her way through the curriculum and becomes eligible for college.
13. There is discomfort with the perception that the arts are not an important component of the program: music, art, theatre, etc.

a. Teresa's Response to Objections 1 and 2

Issue:

Neighborhood schools are the backbone of our public education system; DSST siphons talented kids away from DPS neighborhood schools, weakening them and thus DPS.

Arguments:

- DSST takes the best kids and leaves those who are special Ed, discipline problems and low achievers to the neighborhood schools to contend.
- DSST discourages students from applying who are not already high achievers
- DSST moves kids out of their schools who are "problem kids" and dumps them on the system
- DSST is not for every child and thereby takes money out of the system for special interest families

Response:

- Pursuit of excellence for all students is the goal of DSST. DSST is Denver Public School and not a separate entity outside of DPS.
- DPS enrolls students in schools through a lottery with preference for students in the surrounding neighborhood and students eligible for free or reduced lunch.
- All students have DSST as an option, there is no screening or selection process. Data shows that students coming into DSST middle school are not any different than students going to any other DPS middle school
- DSST schools are fully enrolled and have a waiting list, which is a reflection of success and the achievement of our students.
- Approximately 60% of DSST students are free and reduced lunch eligible.
- Retention data for DSST shows that DSST does not "push out" students. DSST shows extraordinary success for enrolled students. Since DSST is part of DPS, the process for expelling a student is the same as all other DPS.

Issue:

As a Charter School, DSST takes critical resources away from DPS and its traditional public schools.

Arguments:

- DSST gets the same resources as the neighborhood schools, but not the problems
- DSST gets all the new buildings and leaves the rest of the schools with inadequate facilities
- DSST uses back channels to unfairly take more than its share of capital funds
- DSST dilutes the funding that would otherwise go to my existing school
- DSST does not offer arts, sports, music, and other programs that cost money

Response:

- The deficit of adequate funding for public education is a State issue and DSST does not reduce the funding received by any non-DSST school.

- DSST actually has received less funding per student than other DPS. DSST historically has not received new mill levy funds that benefited all other DPS.
- By raising funds, DSST has relieved the DPS budget from costs it would have otherwise had to cover.
- DSST does not receive any of the substantial funds raised by the DPS Foundation, which means that there are more funds available to DPS students not enrolled at DSST.
- DSST paid for the high school on the Stapleton campus, which saved DPS from having to build a school. DSST is giving that school to DPS.
- DPS funds facilities through a public process and DSST participates in that process in the same manner as all other schools.
- DSST teachers are not eligible for “Pro Comp” awards despite their records of teaching success.

b. Sean, Teresa, Deborah, Bill, and Steve’s Responses to Objection 3

Issue:

DSST does not have to deal with special needs kids; its program is not a solution for the typical traditional public school.

Responses:

- We are a public school, we have SPED kids, and we are embracing the opportunity to serve them.
- By law, we cannot select based on GT, IAP, we can't choose to "not deal" with certain students. Our program is unique but not exclusionary.
- We have no ability to screen kids in the lottery.
- Now Charter Schools are allowed to run SPED programs, so our program will allow us to serve a full spectrum of kids already identified as SPED beginning in middle school, which is rare in any city or country.
- DPS charged us for SPED services
- Computers in some autism programs make a huge difference

c. Dan’s Response to Objection 7

Issue:

While DSST accepts students by lottery, it is pretty much the gifted and talented kids that apply, a self-selection process. By siphoning off talented kids, DSST weakens traditional DPS public schools, and gets credit it does not deserve for the results turned in by those talented kids; they might do just as well at a traditional public school.

Argument:

- DSST selects high achieving students (or high achieving students self-select) and that explains DSST's successes in the classroom.

Response:

- From its founding, DSST's goal has been to provide a high quality education to all students in DPS, regardless of race, gender or socio-economic background. In fact, DSST added middle schools to its campuses because some incoming 9th grade students were performing so far below grade level that it was very difficult to have them college ready in four years of high school.

- DSST has always been an open-enrollment school, unlike the DPS magnet schools, such as DSA. DSST does not require entrance examinations and is open to all students willing to work hard in a core values culture.
- In its early years, because students and/or parents needed to apply to DSST, there may have been some self-selection bias among those families seeking a rigorous academic program. However, DPS's choice enrollment plan, has eliminated any self-selection bias because listing DSST as a first choice school takes no more effort than listing another neighborhood school in DPS.

e. Teresa and David's Responses to Objection 5

***Please note, the responses below are from notes Katie Glenn took at the November Board Meeting.**

Issue:

The DSST model can never break even just with the Per Pupil Operating Revenue provided by the State of Colorado (and the other relatively modest revenue sources provided by local and Federal governments). It is dependent on substantial charitable donations and is unsustainable without them.

Argument:

Is DSST sustainable or not sustainable?

Response:

- Yes, DSST is sustainable.
 - We raise money in order to open schools the way we think all (students, staff, the DSST organization) can succeed.
 - DPS has adopted our model of opening schools one grade at a time.
 - Our outcomes speak volumes and our students graduate at the same costs as DPS.
- No, DSST is not sustainable.
 - It costs a lot of money to run a network of schools and open new ones.
 - We use a lot of technology which also costs a lot of money.
 - DSST has to raise money to stay in business.
 - Fundraising efforts have to continue to grow as we expand.

Keywords and Thoughts:

- Most companies and organizations have start-up losses.
- The key to sustainability is to continue to get money.
- Humbleness should be used in every answer.