KIPP COLUMBUS

FRANKLIN COUNTY

SINGLE AUDIT

JULY 1, 2016 – JUNE 30, 2017

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

Board of Directors
KIPP Columbus
2080 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the KIPP Columbus, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The KIPP Columbus is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 25, 2018

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KIPP COLUMBUS
FRANKLIN COUNTY

TABLE OF CONTENTS

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KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

WILSON, SHANNON & SNOW INC.
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP Columbus, Franklin County, Ohio (KIPP), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the KIPP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the KIPP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Columbus, Franklin County as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on KIPP's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statement.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of KIPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

December 13, 2017
Newark, Ohio

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of KIPP Columbus's (KIPP) financial performance provides an overall review of KIPP's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at KIPP's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of KIPP's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Net position at June 30, 2017 was $35,603,890. This represents an increase of $11,831,495 compared to the prior fiscal year's net position. This increase is primarily a result of recording donated capital assets of $12,686,046.

- KIPP had operating revenues of $8,681,949 and non-operating revenues of $17,108,639. Non-operating revenues for the year included $13,224,712 for donated materials, supplies and capital assets. Operating expenses for the fiscal year were $13,950,173 and non-operating expenses were $8,920.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand KIPP's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of KIPP, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how KIPP finances and meets the cash flow needs of its operations.

Reporting KIPP Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did KIPP perform financially during 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report KIPP's net position and changes in net position. This change in net position is important because it tells the reader that, for KIPP as a whole, the financial position of KIPP has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report. The statement of cash flows can be found on page 11.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-32 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning KIPP's net pension liability. The required supplementary information can be found on pages 34-40 of this report.

The table below provides a summary of KIPP's net position at June 30, 2017 and 2016.

Net Position

	2017	2016
Assets		
Current assets	$ 4,301,003	$ 2,738,689
Capital assets, net	38,370,604	26,343,378
Total assets	42,671,607	29,082,067
Deferred outflows of resources	5,459,130	2,659,878
Liabilities		
Current liabilities	873,453	527,007
Long-term liabilities:		
Net pension liability	11,552,905	7,146,409
Other amounts	100,489	110,262
Total liabilities	12,526,847	7,783,678
Deferred inflows of resources	-	185,872
Net position		
Net investment in capital assets	38,208,756	26,186,110
Restricted	184,471	4,514
Unrestricted (deficit)	(2,789,337)	(2,418,229)
Total net position	$ 35,603,890	$ 23,772,395

In 2015, KIPP adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of KIPP's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals KIPP's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, KIPP is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, KIPP's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

GASB 68 requires reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, KIPP's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $35,603,890. Of this total, $184,471 is restricted in use and unrestricted net position is a deficit of $2,789,337.

Assets

Current assets consist primarily of cash and cash equivalents and receivables. KIPP received donated capital assets during fiscal year 2017 consisting of land improvements, buildings and building improvements. These capital assets were recorded at their acquisition value, which amounted to $12,686,046. Capital assets are used to provide services to the students and are not available for future spending, therefore KIPP's net investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist of accounts and intergovernmental payables and accrued wages and benefits. Non-current liabilities consist of capital lease obligations and KIPP's proportionate share of the net pension liability.

Deferred Outflows and Inflows of Resources

KIPP's deferred outflows of resources represent an amount related to pensions in accordance with the reporting requirements of GASB 68. Refer to Note 13 in the notes to the basic financial statements for additional information on the components that comprise this amount.

The following table shows the changes in net position for fiscal years 2017 and 2016.

Change in Net Position

	2017	2016
Operating revenues:		
State Foundation	$ 8,480,144	$ 5,619,107
Charges for services and other	201,805	89,864
Total operating revenues	8,681,949	5,708,971
Operating expenses:		
Personal services	8,429,135	5,199,363
Purchased services	3,519,990	2,504,204
Materials and supplies	1,153,921	481,833
Depreciation	722,035	584,880
Other	125,092	107,065
Total operating expenses	13,950,173	8,877,345
Non-operating revenues (expenses):		
Federal and State grants	2,425,969	1,767,328
Donations and contributions	1,457,612	944,441
Donated materials, supplies and capital assets	13,224,712	-
Interest revenue	346	239
Interest expense	(8,920)	(8,912)
Total non-operating revenues (expenses)	17,099,719	2,703,096
Change in net position	11,831,495	(465,278)
Net position at the beginning of the year	23,772,395	24,237,673
Net position at the end of the year	$ 35,603,890	$ 23,772,395

KIPP's primary source of operating revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. KIPP's FTE increased from 732 in fiscal year 2016 to 1,053 in fiscal year 2017. State Foundation revenue accounted for 97.7% of operating revenues and 32.9% of all revenues for fiscal year 2017. KIPP received donated materials, supplies and capital assets in the amount of $13,224,712 which is reported as non-operating revenue at the acquisition cost of the assets. The amount primarily consists of a donated building and land improvements in the amount of $12,686,046. The only other significant revenue sources in 2017 were Federal and State grants and contributions and donations. Most of the former consists of Federal grant revenue from various grant programs such as the National School Lunch Program and Title I. Donations and contributions consist of various donations that KIPP receives from various local sources.

The main component of expenses for KIPP is personal services, which accounted for 60.4% of all expenses in fiscal year 2017. These expenses consist primarily of employee wages, salaries and benefits. Purchased services expenses consist of various professional and technical services, including payments made under KIPP's services contract with the Educational Service Center of Central Ohio. Additional detail on the components of purchased services expenses can be found in Note 7 in the notes to the basic financial statements.

Capital Assets

At June 30, 2017, KIPP's capital assets consist of land, land improvements, buildings and building improvements, furniture and equipment, and vehicles in the amount of $38,370,604 (net of accumulated depreciation). Additions to capital assets in fiscal year 2017 were $12,749,261 (including donated assets of $12,686,046). Depreciation expense in fiscal year 2017 amounted to $722,035. Refer to Note 6 in the notes to the basic financial statements for more detail on KIPP's capital assets.

Debt Administration

The only long-term debt outstanding for KIPP is capital lease obligations for the acquisition of copier equipment. At June 30, 2017, the balance of the leases is $161,848, $61,359 of which is due within one year. Cash basis principal and interest payments in fiscal year 2017 were $58,635 and $9,523, respectively. See Note 9 in the notes to the basic financial statements for detail on the leases.

Long-term obligations at June 30, 2017 also include KIPP's proportionate share of the net pension liability for SERS and STRS. See Note 9 and Note 13 in the notes to the basic financial statements for more detail.

Economic Factors

KIPP receives approximately 97.7% of its operating revenue from the Ohio Department of Education. Additionally, approximately 99.2% of all revenues are from the Ohio Department of Education or from grants and donations. As such KIPP is economically dependent on these three revenue sources.

Operations

KIPP is a legally separate non-profit corporation served by an appointed seventeen-member board of Directors and meets the definition of a community school under chapter 3314.01 of the Ohio Revised Code. KIPP is a student-focused community where all students develop the intellectual, academic, and social skills needed to understand and take action on issues they encounter in everyday life. In a rigorous, safe, and personalized learning environment, a culture of responsibility and service is fostered, empowering and equipping all learners to become more active and engaged citizens. KIPP offers education for Ohio Children in the fifth through eighth grade. KIPP may lease or acquire facilities as needed and contract for any services necessary for operations of KIPP.

KIPP contracted with The Educational Service Center of Central Ohio (ESCCO) for management services including management of personnel and human resources, technology, data management, financial reporting, compliance issues, budgets, and contracts for the fiscal year July 1, 2016 through June 30, 2017.

Request for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the KIPP's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Tammy Rizzo, Treasurer of KIPP Columbus, 2080 Citygate Drive, Columbus, Ohio 43219.

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KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:		
Current assets:		
Cash and cash equivalents	$	4,069,399
Receivables:		
Intergovernmental		76,649
Accounts		113,226
Prepayments		31,403
Materials and supplies inventory		3,820
Inventory held for resale		6,506
Total current assets		4,301,003
Non-current assets:		
Land		353,500
Depreciable capital assets, net		38,017,104
Total non-current assets		38,370,604
Total assets		42,671,607
Deferred outflows of resources:		
Pension - STRS		3,965,852
Pension - SERS		1,493,278
Total deferred outflows of resources		5,459,130
Liabilities:		
Current liabilities:		
Accounts payable		369,459
Accrued wages and benefits		289,489
Intergovernmental payable		153,146
Capital leases payable		61,359
Total current liabilities		873,453
Non-current liabilities:		
Capital leases payable		100,489
Net pension liability (see Note 13)		11,552,905
Total non-current liabilities		11,653,394
Total liabilities		12,526,847
Net position:		
Net investment in capital assets		38,208,756
Restricted for:		
Other purposes		184,471
Unrestricted (deficit)		(2,789,337)
Total net position	$	35,603,890

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
State Foundation	$ 8,480,144
Charges for services and other	201,805
Total operating revenues	8,681,949
Operating expenses:	
Personal services	8,429,135
Purchased services	3,519,990
Materials and supplies	1,153,921
Depreciation	722,035
Other	125,092
Total operating expenses	13,950,173
Operating loss.	(5,268,224)
Non-operating revenues (expenses):	
Federal and State grants	2,425,969
Interest revenue	346
Donations and contributions	1,457,612
Donated materials, supplies and capital assets .	13,224,712
Interest expense.	(8,920)
Total nonoperating revenues (expenses)	17,099,719
Change in net position.	11,831,495
Net position at beginning of year	23,772,395
Net position at end of year.	$ 35,603,890

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from foundation payments	$ 8,467,318
Cash received from charges for services and other	140,352
Cash payments for personal services	(6,845,891)
Cash payments for purchased services	(3,301,237)
Cash payments for materials and supplies	(677,010)
Cash payments for other expenses	(129,139)
Net cash used in operating activities	(2,345,607)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	2,393,702
Cash received from donations and contributions	1,446,952
Net cash provided by noncapital financing activities	3,840,654
Cash flows from capital and related financing activities:	
Principal paid on capital leases	(58,635)
Interest paid on capital leases	(9,523)
Net cash used in capital and related financing activities	(68,158)
Cash flows from investing activities:	
Interest received	346
Net cash provided by investing activities	346
Net increase in cash and cash equivalents	1,427,235
Cash and cash equivalents at beginning of year	2,642,164
Cash and cash equivalents at end of year	$ 4,069,399
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (5,268,224)
Adjustments:	
Depreciation	722,035
Federal donated commodities	32,106
Donated materials and supplies	538,666
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:	
Increase in intergovernmental receivable	(21,289)
Increase in accounts receivable	(78,352)
Increase in prepayments	(19,630)
Increase in materials and supplies inventory	(2,485)
Increase in inventory held for resale	(2,502)
Increase in deferred outflows, pensions	(2,799,252)
Increase in accounts payable	160,375
Increase in accrued wages and benefits	104,678
Increase in intergovernmental payable	67,643
Increase in net pension liability	4,406,496
Decrease in deferred inflows, pensions	(185,872)
Net cash used in operating activities	$ (2,345,607)

Non-cash transactions:

KIPP entered into a capital lease agreement during fiscal year 2017 in the amount of $63,215. KIPP also received donated capital assets with an acquisition value of $12,686,046 and other materials and supplies of $538,666.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF KIPP AND REPORTING ENTITY

KIPP Columbus (formerly, KIPP Journey Academy) is a legally separate nonprofit corporation served by an appointed nine-member board of Directors and meets the definition of a community school under chapter 3314 of the Ohio Revised Code. KIPP Columbus (KIPP) is a student-focused community where all students develop the intellectual, academic, and social skills needed to understand and take action on issues they encounter in everyday life. In a rigorous, safe, and personalized learning environment, a culture of responsibility and service is fostered, empowering and equipping all learners to become more active and engaged citizens. KIPP offers education for children in the fifth through eighth grade. KIPP may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of KIPP.

KIPP was approved for operation under a contract with Thomas B. Fordham Foundation (the "Sponsor"). The Sponsor is responsible for evaluating the performance of KIPP and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Educational Service Center of Central Ohio ("ESCCO") serves as the fiscal agent for KIPP (see Note 11).

Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from KIPP. For KIPP, this includes instructional activities of KIPP.

Component units are legally separate organizations for which KIPP is financially accountable. KIPP is financially accountable for an organization if KIPP appoints a voting majority of the organization's Governing Board and (1) KIPP is able to significantly influence the programs or services performed or provided by the organization; or (2) KIPP is legally entitled to or can otherwise access the organization's resources; or (3) KIPP is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) KIPP is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on KIPP in that KIPP approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading.

Based upon the application of these criteria, KIPP has no component units. The basic financial statements of the reporting entity include only those of KIPP (the primary government).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of KIPP have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. KIPP's significant accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

KIPP's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. KIPP's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which KIPP receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which KIPP must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to KIPP on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the net position reports a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 13 for deferred outflows of resources related to KIPP's net pension liability.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in KIPP's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts and spending plans. The contract between KIPP and its Sponsor does not prescribe a budgetary process for KIPP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Cash Equivalents

To improve cash management, all cash received by KIPP is pooled in a central bank account. Monies for KIPP are maintained in this account or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by KIPP are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. KIPP had no investments during the fiscal year ended June 30, 2017.

G. Capital Assets

KIPP's capital assets during fiscal year 2017 consisted of land, land improvements, buildings and building improvements and furniture and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value. KIPP maintains a capitalization threshold of $5,000. KIPP does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets except land are depreciated. Depreciation is computed using the straight-line method. Land improvements and buildings and building improvements are depreciated over fifty years. Furniture and equipment are being depreciated over five to twenty years. Vehicles are depreciated over eight years.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes represents amounts restricted for student activities and various local grants.

KIPP applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of supplies, donated food and purchased food.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Intergovernmental Revenue

KIPP currently participates in the State Foundation Program, as well as the National School Lunch Program, Charter School Program, Title I, Title II-A, and Title VI-B grant programs. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which KIPP must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to KIPP on a reimbursement basis. Federal and State grant revenue for fiscal year 2017 was $2,425,969, exclusive of the State Foundation Program.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

L. Prepayments

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the fiscal year in which services are consumed.

M. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of KIPP. Operating expenses are necessary cost incurred to provide the service that is the primary activity of KIPP. All revenues and expenses not meeting this definition are reported as non-operating.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. KIPP had no extraordinary or special items during fiscal year 2017.

P. Economic Dependency

KIPP receives approximately 97.7% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue, KIPP is considered to be economically dependent on the State of Ohio Department of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Related Party Transactions

Three members of the KIPP Columbus Board are also members of the KIPP Columbus Foundation's Board. The KIPP Columbus Foundation (Foundation) is a separate legal 501 (C) (3) nonprofit corporation. The Foundation's specific purpose shall include, but not be limited to, supporting educational activities of schools in Central Ohio area that are sponsored by or affiliated with the KIPP Foundation, a California public benefit corporation. The Foundation donated materials, supplies and capital assets to KIPP in fiscal year 2017 which had an acquisition value at the time of donation of $13,224,712. This amount is reported as donated materials, supplies and capital assets revenue in the accompanying financial statements.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2017, the KIPP has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the KIPP.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the KIPP.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the KIPP.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the KIPP.

NOTE 4 - DEPOSITS

At June 30, 2017, the carrying amount of all deposits was $4,069,399. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2017, $4,051,016 of KIPP's bank balance of $4,301,016 was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial credit risk is the risk that, in the event of bank failure, KIPP's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of KIPP. KIPP has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject KIPP to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, consist of accounts and intergovernmental receivables which represent reimbursements and grants. All receivables are considered collectible in full and are expected to be collected within the subsequent fiscal year. The intergovernmental receivable of $76,649 is comprised as follows:

Intergovernmental receivables:	
Charter School Program Grant	$ 15,533
BWC Refund	14,321
National School Lunch Program	21,616
State Foundation Program	25,179
Total	$ 76,649

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17
Capital assets, not being depreciated:				
Land	$ 353,500	$ -	$ -	$ 353,500
Capital assets, being depreciated:				
Land improvements	4,558,801	2,847,613	-	7,406,414
Buildings and building improvements	21,994,644	9,838,433	-	31,833,077
Furniture and equipment	266,499	63,215	-	329,714
Vehicles	54,503	-	-	54,503
Total capital assets being depreciated	26,874,447	12,749,261	-	39,623,708
Less: accumulated depreciation				
Land improvements	(136,764)	(119,652)	-	(256,416)
Buildings and building improvements	(659,839)	(538,277)	-	(1,198,116)
Furniture and equipment	(85,127)	(57,293)	-	(142,420)
Vehicles	(2,839)	(6,813)	-	(9,652)
Total accumulated depreciation	(884,569)	(722,035)	-	(1,606,604)
Capital assets, net	$ 26,343,378	$ 12,027,226	$ -	$ 38,370,604

Additions during the fiscal year include donated capital assets consisting of land improvements in the amount of $2,847,613 and buildings and building improvements of $9,838,433. See Note 2.P and Note 8 for detail regarding the donated assets.

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	$ 856,696
Property services	876,475
Travel mileage and meetings	71,207
Communications	74,175
Utilities	313,284
Contracted craft or trade	956,528
Tuition	34,618
Sponsorship fees	199,899
Pupil transportation services	89,224
Other	47,884
Total	$ 3,519,990

NOTE 8 - BUILDING LEASE

In August of 2014, the KIPP Columbus Foundation (Foundation) leased land and buildings to KIPP for a twenty-five year period commencing August 20, 2014 with automatic renewal terms of five years. KIPP has the option to terminate such agreement at any time by giving written notice at least three hundred and sixty-five days prior to such date. The Foundation reserves the right to construct additional buildings and other improvements on the land, which upon completion are subject to the terms of the lease. Lease terms are such that KIPP will pay the Foundation one dollar annually for the term of lease and be responsible for all operating and maintenance costs.

The Foundation constructed a building and other improvements in fiscal year 2017. Due to the nature of the relationship between KIPP and the Foundation and the favorable lease terms for KIPP, the leased assets are reported as donated assets on the financial statements, at an amount equal to the fair value of the assets at the time of donation.

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of KIPP's long-term obligations activity in fiscal year 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due in One Year
Net pension liability:					
STRS	$ 5,532,434	$ 3,048,186	$ -	$ 8,580,620	$ -
SERS	1,613,975	1,358,310	-	2,972,285	-
Total net pension liability	7,146,409	4,406,496	-	11,552,905	-
Capital leases	157,268	63,215	(58,635)	161,848	61,359
Total long-term obligations	$ 7,303,677	$ 4,469,711	$ (58,635)	$ 11,714,753	$ 61,359

Net Pension Liability: See Note 13 for information on KIPP's net pension liability.

Capital leases: KIPP has entered into a copier lease agreements which meet the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of $299,813, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal and interest payments in fiscal year 2017 were $58,635 and $9,523, respectively. Accumulated depreciation on the equipment at June 30, 2017 was $124,622, leaving a book value of $175,191.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Amount
2018	$ 68,058
2019	68,058
2020	23,223
2021	14,256
Total minimum lease payments	173,595
Less: amount representing interest	(11,747)
Present value of minimum lease payments	$ 161,848

NOTE 10 - SPONSOR

KIPP was approved for operation under a contract with the Thomas B. Fordham Foundation (the Sponsor). As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation. KIPP paid the Sponsor $199,899 in sponsorship fees for fiscal year 2017.

NOTE 11 - SERVICE AGREEMENT

KIPP entered into a service contract with the Educational Service Center of Central Ohio (ESCCO) for fiscal year 2017 to provide fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. KIPP paid ESCCO $120,840 in service fees for fiscal year 2017.

NOTE 12 - RISK MANAGEMENT

KIPP is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2017, KIPP had general liability insurance through Travelers Insurance.

Settled claims have not exceeded commercial coverage in the past three fiscal years. There was no significant reduction in coverage from the prior fiscal year.

KIPP pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the KIPP's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the KIPP's obligation for this liability to annually required payments. The KIPP cannot control benefit terms or the manner in which pensions are financed; however, the KIPP does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –KIPP non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the KIPP is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

KIPP's contractually required contribution to SERS was $223,576 for fiscal year 2017. Of this amount, $6,921 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –KIPP licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The KIPP was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

KIPP’s contractually required contribution to STRS was $546,682 for fiscal year 2017. Of this amount, $33,607 is reported as an intergovernmental payable.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. KIPP's proportion of the net pension liability was based on KIPP's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02828510%	0.02001816%	
Proportion of the net pension liability current measurement date	0.04061010%	0.02563444%	
Change in proportionate share	0.01232500%	0.00561628%	
Proportionate share of the net pension liability	$ 2,972,285	$ 8,580,620	$ 11,552,905
Pension expense	$ 682,572	$ 1,509,058	$ 2,191,630

At June 30, 2017, KIPP reported deferred outflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Differences between expected and actual experience	$ 40,091	$ 346,698	$ 386,789
Net difference between projected and actual earnings on pension plan investments	245,169	712,422	957,591
Changes of assumptions	198,416	-	198,416
Difference between KIPP contributions and proportionate share of contributions/ change in proportionate share	786,026	2,360,050	3,146,076
KIPP contributions subsequent to the measurement date	223,576	546,682	770,258
Total deferred outflows of resources	$ 1,493,278	$ 3,965,852	$ 5,459,130

$770,258 reported as deferred outflows of resources related to pension resulting from KIPP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 436,639	$ 847,812	$ 1,284,451
2019	436,464	847,811	1,284,275
2020	326,121	1,121,186	1,447,307
2021	70,478	602,361	672,839
Total	$ 1,269,702	$ 3,419,170	$ 4,688,872

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of KIPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
KIPP's proportionate share of the net pension liability	$ 3,935,120	$ 2,972,285	$ 2,166,352

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate **-** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of KIPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the KIPP's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what KIPP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
KIPP's proportionate share of the net pension liability	$ 11,402,946	$ 8,580,620	$ 6,199,821

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to KIPP's net pension liability is expected to be significant.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The KIPP contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, KIPP's surcharge obligation was $7,152.

The KIPP's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $7,152, $4,408, and $8,265, respectively. The fiscal year 2017 amount has been reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – KIPP participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. KIPP's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 15 - OTHER EMPLOYEE BENEFITS

KIPP has contracted through an independent agent to provide employee medical and dental insurance to its full time employees. KIPP pays a portion of the monthly premiums for a selected coverage.

NOTE 16 - CONTINGENCIES

A. Grants

KIPP received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of KIPP at June 30, 2017.

B. Federal and State Funding

The Federal and State grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, KIPP's administration believes such disallowances, if any, would be immaterial.

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of KIPP.

NOTE 16 - CONTINGENCIES - (Continued)

C. Litigation

KIPP is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2017.

NOTE 17 - TAX EXEMPT STATUS

KIPP is approved under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization.

NOTE 18 – SUBSEQUENT EVENT

The KIPP Columbus Foundation (Foundation) is a separate legal 501(c)(3) nonprofit corporation. The Foundation's specific purpose shall include, but not be limited to, supporting educational activities of schools in Central Ohio area that are sponsored by or affiliated with the KIPP Foundation, a California public benefit corporation.

In July of 2017 KIPP began operating a new High School building and Environmental Center which will be leased from the Foundation. It is anticipated that lease terms will allow KIPP to pay the Foundation one dollar annually for the term of lease and be responsible for all operating and maintenance costs.

The estimated value of the High School building is approximately $25,110,597 and the Environmental Center is $2,400,000.

REQUIRED SUPPLEMENTARY INFORMATION

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF KIPP'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	2017	**2016**	**2015**	**2014**
KIPP's proportion of the net pension liability	0.04061010%	0.02828510%	0.01826800%	0.01826800%
KIPP's proportionate share of the net pension liability	$ 2,972,285	$ 1,613,975	$ 924,533	$ 1,086,339
KIPP's covered-employee payroll	$ 1,276,693	$ 851,525	$ 530,844	$ 434,942
KIPP's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.81%	189.54%	174.16%	249.77%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional fiscal years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of KIPP's measurement date which is the prior fiscal year-end.

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF KIPP'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	2017	**2016**	**2015**	**2014**
KIPP's proportion of the net pension liability	0.02563444%	0.02001816%	0.01373600%	0.01373600%
KIPP's proportionate share of the net pension liability	$ 8,580,620	$ 5,532,434	$ 3,341,109	$ 3,979,908
KIPP's covered-employee payroll	$ 2,735,829	$ 2,132,679	$ 1,403,454	$ 1,417,977
KIPP's proportionate share of the net pension liability as a percentage of its covered-employee payroll	313.64%	259.41%	238.06%	280.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional fiscal years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of KIPP's measurement date which is the prior fiscal year-end.

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF KIPP'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 223,576	$ 178,737	$ 112,231	$ 73,575
Contributions in relation to the contractually required contribution	(223,576)	(178,737)	(112,231)	(73,575)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered-employee payroll	$ 1,596,971	$ 1,276,693	$ 851,525	$ 530,844
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

Note: KIPP began operations in fiscal year 2009; therefore, information prior to fiscal year 2009 is not applicable.

	2013	2012	2011	2010	2009
	$ 60,196	$ 26,208	$ 36,739	$ 33,412	$ 20,366
	(60,196)	(26,208)	(36,739)	(33,412)	(20,366)
	$ -	$ -	$ -	$ -	$ -
	$ 434,942	$ 194,855	$ 292,275	$ 246,765	$ 206,972
	13.84%	13.45%	12.57%	13.54%	9.84%

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF KIPP'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST NINE FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 546,682	$ 383,016	$ 298,575	$ 182,449
Contributions in relation to the contractually required contribution	(546,682)	(383,016)	(298,575)	(182,449)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered-employee payroll	$ 3,904,871	$ 2,735,829	$ 2,132,679	$ 1,403,454
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

Note: KIPP began operations in fiscal year 2009; therefore, information prior to fiscal year 2009 is not applicable.

2013	2012	2011	2010	2009
$ 184,337	$ 166,117	$ 107,942	$ 56,603	$ 41,367
(184,337)	(166,117)	(107,942)	(56,603)	(41,367)
$ -	$ -	$ -	$ -	$ -
$ 1,417,977	$ 1,277,823	$ 830,323	$ 435,408	$ 318,208
13.00%	13.00%	13.00%	13.00%	13.00%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

KIPP COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR ***Pass Through Grantor*** **Program/Cluster Title**	**Pass Through Entity Identifying Number**	**Federal CFDA Number**	**Federal Expenditures**	**Non-Cash Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	$ 325,243	$ -
National School Lunch Program	N/A	10.555	447,629	32,106
Total U.S. Department of Agriculture			772,872	32,106
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I Grants to Local Educational Agencies	N/A	84.010	702,867	-
Special Education Cluster:				
Special Education Grants to States	N/A	84.027	147,766	-
Charter Schools	N/A	84.282	266,708	-
Improving Teacher Quality State Grants	N/A	84.367	91,260	-
Total U.S. Department of Education			1,208,601	-
Total Expenditures of Federal Awards			**$ 1,981,473**	**$ 32,106**

The accompanying notes are an integral part of this Schedule.

KIPP COLUMBUS
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of KIPP Columbus, Franklin County (KIPP) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KIPP, it is not intended to and does not present the financial position, changes in net position, or cash flows of KIPP.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. KIPP has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

KIPP commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, KIPP assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

KIPP reports commodities consumed on the Schedule at fair value. KIPP allocated donated commodities to the respective program that benefited from use of those donated food commodities.

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of KIPP Columbus, Franklin County, (KIPP) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements and have issued our report thereon December 13, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered KIPP's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of KIPP's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of KIPP's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether KIPP's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of KIPP's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering KIPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 13, 2017
Newark, Ohio

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Governing Board:

Report on Compliance for The Major Federal Program

We have audited KIPP Columbus' (KIPP) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect KIPP's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies KIPP's major federal program.

Management's Responsibility

KIPP's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on KIPP's compliance for KIPP's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on KIPP's major program. However, our audit does not provide a legal determination of KIPP's compliance.

Opinion on The Major Federal Program

In our opinion, KIPP complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2017.

10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

Report on Internal Control Over Compliance

KIPP's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered KIPP's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of KIPP's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 13, 2017

KIPP COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515

JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Title I Grants to Local Educational Agencies/CFDA #84.010
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

KIPP COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 6, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov