KIPP COLUMBUS

FRANKLIN COUNTY

SINGLE AUDIT

JULY 1, 2018 – JUNE 30, 2019

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
KIPP Columbus
2080 Citygate Dr
Columbus, OH 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, 2018 through June 30, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

January 10, 2020

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FRANKLIN COUNTY

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WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

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, 2019, 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 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 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, 2019, 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 statements.

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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 11, 2019, 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 11, 2019
Newark, Ohio

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 ending June 30, 2019. 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 2019 are as follows:

- Net position at June 30, 2019 was $59,178,732. This represents a decrease of $2,901,712 compared to the prior fiscal year's net position.

- KIPP had operating revenues of $11,272,161 and non-operating revenues of $3,656,521. Operating expenses for the fiscal year were $17,820,215 and non-operating expenses were $10,179.

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 2019?" 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, deferred inflows of resources, 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 fiscal 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 pages 11-12.

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 13-39 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 and net OPEB liability/asset. The required supplementary information can be found on pages 42-57 of this report.

The table below provides a summary of KIPP's net position at June 30, 2019 and 2018.

Net Position

	2019	2018
Assets		
Current assets	$ 4,359,350	$ 4,979,873
Net OPEB asset	667,320	-
Capital assets, net	62,605,384	63,807,218
Total assets	67,632,054	68,787,091
Deferred outflows of resources		
Pension	7,225,761	7,864,776
OPEB	831,602	632,120
Total deferred outflows of resources	8,057,363	8,496,896
Liabilities		
Current liabilities	1,193,886	863,437
Long-term liabilities:		
Net pension liability	11,997,628	11,069,611
Net OPEB liability	1,309,544	2,540,525
Other amounts	172,861	94,915
Total liabilities	14,673,919	14,568,488
Deferred inflows of resources		
Pension	692,757	352,336
OPEB	1,144,009	282,719
Total deferred inflows of resources	1,836,766	635,055
Net position		
Net investment in capital assets	62,372,565	63,630,044
Restricted	475,155	469,166
Unrestricted (deficit)	(3,668,988)	(2,018,766)
Total net position	$ 59,178,732	$ 62,080,444

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, KIPP's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $59,178,732. Of this total, $475,155 is restricted in use and unrestricted net position is a deficit of $3,668,988.

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal KIPP's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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/asset since they received the benefit of the exchange. However, KIPP is not responsible for certain key factors affecting the balances of these liabilities/assets. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, KIPP's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Assets

Current assets consist primarily of cash and cash equivalents and receivables. 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 payables and accrued wages and benefits. Non-current liabilities consist of capital lease obligations and KIPP's proportionate share of the net pension liability and net OPEB liability.

Deferred Outflows and Inflows of Resources

KIPP's deferred outflows and inflows of resources represent amounts related to pensions and OPEB in accordance with the reporting requirements of GASB 68 and GASB 75. Refer to Note 13 and Note 14 in the notes to the basic financial statements for additional information on the components that comprise these amounts.

The following table shows the changes in net position for fiscal years 2019 and 2018.

Change in Net Position

	2019	2018
Operating revenues:		
State Foundation	$ 11,032,478	$ 9,677,062
Charges for services and other	239,683	179,363
Total operating revenues	11,272,161	9,856,425
Operating expenses:		
Personal services	11,059,869	5,304,232
Purchased services	4,400,780	4,115,546
Materials and supplies	760,450	1,741,751
Depreciation	1,421,295	1,127,821
Other	177,821	135,531
Total operating expenses	17,820,215	12,424,881
Non-operating revenues (expenses):		
Federal and State grants	2,640,559	2,682,738
Donations and contributions	1,015,509	1,301,071
Donated materials, supplies and capital assets	-	27,510,617
Interest revenue	453	457
Interest expense	(8,661)	(10,604)
Loss on disposal of capital assets	(1,518)	-
Total non-operating revenues (expenses)	3,646,342	31,484,279
Change in net position	(2,901,712)	28,915,823
Net position at the beginning of the fiscal year	62,080,444	33,164,621
Net position at the end of the fiscal year	$ 59,178,732	$ 62,080,444

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 1,192 in fiscal year 2018 to 1,373 in fiscal year 2019. State Foundation revenue accounted for 97.9% of operating revenues and 73.9% of all revenues for fiscal year 2019. The only other significant revenue sources in 2019 were Federal and State grants and donations and contributions. 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 amounts that KIPP receives from various local sources.

The main component of expenses for KIPP is personal services, which accounted for 62.1% of all operating expenses in fiscal year 2019. These expenses consist primarily of employee wages, salaries and benefits. Personal services expenses increased $5,755,637 or 108.5%. As previously discussed, the effects of GASB 68 and 75 (net pension and net OPEB liabilities) greatly distort this comparative analysis. The following calculation illustrates the change in net position for fiscal years 2019 and 2018 without the effects of pension and OPEB expense.

	2019	2018
Total change net position (with GASB 68 and 75)	$ (2,901,712)	$ 28,915,823
GASB 68 calculations:		
Add pension expense	3,034,284	(1,653,801)
Less current year contributions	(1,126,831)	(882,803)
GASB 75 calculations:		
Add OPEB expense	(1,220,539)	(230,548)
Less current year contributions	(15,954)	(17,597)
Total change net position (without GASB 68 and 75)	$ (2,230,752)	$ 26,131,074

The second largest expense for KIPP is contractual services. These 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, 2019, KIPP's capital assets consist of land, land improvements, buildings and building improvements, furniture and equipment, and vehicles in the amount of $62,605,384 (net of accumulated depreciation). During fiscal year 2019, total additions to capital assets were $243,119, disposals (net of accumulated depreciation) were $23,658 and depreciation expense amounted to $1,421,295. 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, 2019, the balance of the leases is $232,819, $59,958 of which is due within one year. Principal and interest payments in fiscal year 2019 were $75,835 and $8,661, respectively. See Note 9 in the notes to the basic financial statements for detail on the leases.

Long-term obligations at June 30, 2019 also include KIPP's proportionate share of the net pension liability and net OPEB liability for SERS and STRS. See Notes 13 and 14 in the notes to the basic financial statements for more detail.

Economic Factors

KIPP receives approximately 97.9% of its operating revenue from the Ohio Department of Education. Additionally, approximately 98.4% 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 eighteen-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 grades K through 11. 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, 2018 through June 30, 2019.

Request for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of 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.

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

Assets:		
Current assets:		
Cash and cash equivalents	$	3,897,461
Receivables:		
Intergovernmental		188,738
Accounts		202,897
Prepayments		45,585
Materials and supplies inventory		5,640
Inventory held for resale		19,029
Total current assets		4,359,350
Non-current assets:		
Net OPEB asset		667,320
Land		353,500
Depreciable capital assets, net		62,251,884
Total non-current assets		63,272,704
Total assets		67,632,054
Deferred outflows of resources:		
Pension		7,225,761
OPEB		831,602
Total deferred outflows of resources		8,057,363
Liabilities:		
Current liabilities:		
Accounts payable		432,623
Accrued wages and benefits		443,617
Intergovernmental payable		257,688
Capital leases payable		59,958
Total current liabilities		1,193,886
Non-current liabilities:		
Capital leases payable		172,861
Net pension liability (see Note 13)		11,997,628
Net OPEB liability (see Note 14)		1,309,544
Total non-current liabilities		13,480,033
Total liabilities		14,673,919
Deferred inflows of resources:		
Pension		692,757
OPEB		1,144,009
Total deferred inflows of resources		1,836,766
Net position:		
Net investment in capital assets		62,372,565
Restricted for:		
Restricted for state programs		5,235
Federally funded programs		2,182
Other purposes		467,738
Unrestricted (deficit)		(3,668,988)
Total net position	$	59,178,732

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, 2019

Operating revenues:	
State Foundation	$ 11,032,478
Charges for services and other	239,683
Total operating revenues	11,272,161
Operating expenses:	
Personal services	11,059,869
Purchased services	4,400,780
Materials and supplies	760,450
Depreciation	1,421,295
Other	177,821
Total operating expenses	17,820,215
Operating loss.	(6,548,054)
Non-operating revenues (expenses):	
Federal and State grants	2,640,559
Interest revenue	453
Donations and contributions	1,015,509
Interest expense.	(8,661)
Loss on disposal of capital assets.	(1,518)
Total nonoperating revenues (expenses)	3,646,342
Change in net position.	(2,901,712)
Net position at beginning of fiscal year	62,080,444
Net position at end of fiscal year	$ 59,178,732

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from foundation payments	$ 11,043,648
Cash received from charges for services and other	222,332
Cash payments for personal services.	(10,193,139)
Cash payments for purchased services.	(4,126,161)
Cash payments for materials and supplies	(790,950)
Cash payments for other expenses	(171,302)
Net cash used in operating activities	(4,015,572)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants.	2,548,583
Cash received from donations and contributions.	1,014,022
Net cash provided by noncapital financing activities.	3,562,605
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(89,499)
Principal paid on capital leases	(75,835)
Interest paid on capital leases	(8,661)
Net cash used in capital and related financing activities.	(173,995)
Cash flows from investing activities:	
Interest received	453
Net cash provided by investing activities	453
Net decrease in cash and cash equivalents	(626,509)
Cash and cash equivalents at beginning of fiscal year . .	4,523,970
Cash and cash equivalents at end of fiscal year	$ 3,897,461

- Continued

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(6,548,054)
Adjustments:		
Depreciation		1,421,295
Federal donated commodities		134,877
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:		
Decrease in intergovernmental receivable		27,711
Increase in accounts receivable		(42,357)
Increase in prepayments		(17,460)
Increase in materials and supplies inventory		(2,490)
Increase in inventory held for resale		(12,804)
Increase in net OPEB asset		(667,320)
Decrease in deferred outflows, pension		639,015
Increase in deferred outflows, OPEB		(199,482)
Increase in accounts payable		148,620
Increase in accrued wages and benefits		123,342
Increase in intergovernmental payable		80,788
Increase in net pension liability		928,017
Decrease in net OPEB liability		(1,230,981)
Increase in deferred inflows, pension		340,421
Increase in deferred inflows, OPEB		861,290
Net cash used in operating activities	$	(4,015,572)

Non-cash capital and investing transactions:

KIPP entered into a capital lease agreement during fiscal year 2019 in the amount of $153,620. The lease replaced a previous capital lease which had a carrying value of $22,140 at termination. The assets acquired under the old lease had a net book value of $23,658 at termination.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF KIPP AND REPORTING ENTITY

KIPP Columbus (formerly, KIPP Journey Academy) is a legally separate nonprofit corporation served by an appointed eighteen-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 grades K through 11. 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 basic 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 fiscal 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) until then. See Note 13 and Note 14 for deferred outflows of resources related to KIPP’s net pension liability and net OPEB liability/asset, respectively.

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. See Note 13 and Note 14 for deferred inflows of resources related to KIPP’s net pension liability and net OPEB liability/asset, respectively.

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

E. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between KIPP and its Sponsor. The contract between KIPP and its Sponsor does not require KIPP to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

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, 2019.

G. Capital Assets

KIPP's capital assets during fiscal year 2019 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 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 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.

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

I. 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, Title VI-B, School Safety Training, and Supporting Effective Educator 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 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 2019 was $2,640,559, exclusive of the State Foundation Program.

J. Accrued Liabilities and Long-Term Obligations

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

K. 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 year in which services are consumed.

L. 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.

M. 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.

N. 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 2019.

O. Economic Dependency

KIPP receives approximately 97.9% 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)

P. 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. KIPP did not receive any financial support from the Foundation in fiscal year 2019.

Q. Inventory Held for Resale

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 and consist of supplies and donated food.

R. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2019, KIPP has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of KIPP.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of KIPP.

NOTE 4 - DEPOSITS

At June 30, 2019, the carrying amount of all deposits was $3,897,461 and the bank balance was $4,077,128. Of the bank balance, $250,000 was covered by the FDIC and $3,827,128 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, KIPP's deposits may not be returned. KIPP has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to KIPP and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, KIPP's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, 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 $188,738 is comprised as follows:

Intergovernmental receivables:	
Charter School Program Grant	$ 75,676
SEED Grant	40,000
National School Lunch Program	10,669
State Foundation Program	10,311
SERS Refund	52,082
Total	$ 188,738

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NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19
Capital assets, not being depreciated:				
Land	$ 353,500	$ -	$ -	$ 353,500
Capital assets, being depreciated:				
Land improvements	13,276,883	-	-	13,276,883
Buildings and building improvements	52,428,025	36,630	-	52,464,655
Furniture and equipment	428,732	153,620	(236,598)	345,754
Vehicles	54,503	52,869	-	107,372
Total capital assets being depreciated	66,188,143	243,119	(236,598)	66,194,664
Less: accumulated depreciation				
Land improvements	(463,249)	(265,537)	-	(728,786)
Buildings and building improvements	(2,040,728)	(1,049,234)	-	(3,089,962)
Furniture and equipment	(213,983)	(96,628)	212,940	(97,671)
Vehicles	(16,465)	(9,896)	-	(26,361)
Total accumulated depreciation	(2,734,425)	(1,421,295)	212,940	(3,942,780)
Capital assets, net	$ 63,807,218	$ (1,178,176)	$ (23,658)	$ 62,605,384

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased services expenses were as follows:

Professional and technical services	$ 904,099
Property services	1,013,776
Travel mileage and meetings	66,319
Communications	115,594
Utilities	554,443
Contracted craft or trade	1,188,377
Tuition	18,792
Sponsorship fees	254,703
Pupil transportation services	157,680
Other	126,997
Total	$ 4,400,780

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.

NOTE 9 - LONG-TERM OBLIGATIONS

The following tables summarizes KIPP's long-term obligations activity in fiscal year 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due in One Year
Net pension liability	$ 11,069,611	$ 928,017	$ -	$ 11,997,628	$ -
Net OPEB liability	2,540,525	124,929	(1,355,910)	1,309,544	-
Capital leases	177,174	153,620	(97,975)	232,819	59,958
Total long-term obligations	$ 13,787,310	$ 1,206,566	$ (1,453,885)	$ 13,539,991	$ 59,958

See Note 13 and Note 14 for information on the net pension liability and net OPEB liability, respectively.

Capital leases: KIPP has entered into copier lease agreements which meet the criteria for reporting as capital leases. Capital assets consisting of equipment have been capitalized in the amount of $310,807, 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 2019 were $75,835 and $8,661, respectively. Accumulated depreciation on the equipment at June 30, 2019 was $75,161, leaving a book value of $235,646.

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, 2019:

Fiscal Year Ending June 30,	Amount
2020	$ 70,236
2021	70,236
2022	55,980
2023	34,788
2024	26,091
Total minimum lease payments	257,331
Less: amount representing interest	(24,512)
Present value of minimum lease payments	$ 232,819

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 funding. KIPP paid the Sponsor $254,703 in sponsorship fees for fiscal year 2019.

NOTE 11 - SERVICE AGREEMENT

KIPP entered into a service contract with the Educational Service Center of Central Ohio (ESCCO) for fiscal year 2019 to provide fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. KIPP paid the ESCCO $126,840 in service fees for fiscal year 2019.

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 2019, KIPP had general liability insurance through The Cincinnati Insurance Company.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year is included in *intergovernmental payable* on 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:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and KIPP is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

KIPP's contractually required contribution to SERS was $264,396 for fiscal year 2019. Of this amount, $9,247 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 to 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 fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. KIPP was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

KIPP's contractually required contribution to STRS was $862,435 for fiscal year 2019. Of this amount, $52,518 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, 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 projected 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	0.04709980%	0.03475238%	
Proportion of the net pension liability current measurement date	0.05005000%	0.04152844%	
Change in proportionate share	0.00295020%	0.00677606%	
Proportionate share of the net pension liability	$ 2,866,456	$ 9,131,172	$ 11,997,628
Pension expense	$ 704,995	$ 2,329,289	$ 3,034,284

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2019, KIPP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 157,210	$ 210,777	$ 367,987
Changes of assumptions	64,730	1,618,216	1,682,946
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	437,793	3,610,204	4,047,997
Contributions subsequent to the measurement date	264,396	862,435	1,126,831
Total deferred outflows of resources	$ 924,129	$ 6,301,632	$ 7,225,761

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 59,633	$ 59,633
Net difference between projected and actual earnings on pension plan investments	79,421	553,703	633,124
Total deferred inflows of resources	$ 79,421	$ 613,336	$ 692,757

$1,126,831 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 534,049	$ 2,235,286	$ 2,769,335
2021	164,688	1,618,250	1,782,938
2022	(94,069)	840,627	746,558
2023	(24,356)	131,698	107,342
Total	$ 580,312	$ 4,825,861	$ 5,406,173

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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 most recent experience study was completed for the five year period ended June 30, 2015.

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 average 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%. 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%). 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.

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%, 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%), or one percentage point higher (8.50%) 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	$ 4,037,620	$ 2,866,456	$ 1,884,514

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of KIPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents KIPP's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
KIPP's proportionate share of the net pension liability	$ 13,334,874	$ 9,131,172	$ 5,573,308

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents KIPP's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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)

Health Care Plan Description - KIPP contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, KIPP's surcharge obligation was $6,162.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. KIPP's contractually required contribution to SERS was $15,954 for fiscal year 2019. Of this amount, $6,504 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. KIPP's proportion of the net OPEB liability/asset was based on KIPP's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.04414050%	0.03475238%	
Proportion of the net OPEB liability/asset current measurement date	0.04720320%	0.04152844%	
Change in proportionate share	0.00306270%	0.00677606%	
Proportionate share of the net OPEB liability	$ 1,309,544	$ -	$ 1,309,544
Proportionate share of the net OPEB asset	$ -	$ 667,320	$ 667,320
OPEB expense	$ 116,952	$ (1,337,491)	$ (1,220,539)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2019, KIPP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 21,377	$ 77,944	$ 99,321
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	126,555	589,772	716,327
Contributions subsequent to the measurement date	15,954	-	15,954
Total deferred outflows of resources	$ 163,886	$ 667,716	$ 831,602

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 38,880	$ 38,880
Net difference between projected and actual earnings on pension plan investments	1,966	76,235	78,201
Changes of assumptions	117,651	909,277	1,026,928
Total deferred inflows of resources	$ 119,617	$ 1,024,392	$ 1,144,009

$15,954 reported as deferred outflows of resources related to OPEB resulting from KIPP contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 4,424	$ (59,545)	$ (55,121)
2021	4,594	(59,545)	(54,951)
2022	5,124	(59,544)	(54,420)
2023	5,958	(42,229)	(36,271)
2024	5,824	(36,157)	(30,333)
Thereafter	2,391	(99,656)	(97,265)
Total	$ 28,315	$ (356,676)	$ (328,361)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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 discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of KIPP's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
KIPP's proportionate share of the net OPEB liability	$ 1,589,029	$ 1,309,544	$ 1,088,245

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
KIPP's proportionate share of the net OPEB liability	$ 1,056,562	$ 1,309,544	$ 1,644,538

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of KIPP's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
KIPP's proportionate share of the net OPEB asset	$ 571,955	$ 667,320	$ 747,469

	1% Decrease	Current Trend Rate	1% Increase
KIPP's proportionate share of the net OPEB asset	$ 742,944	$ 667,320	$ 590,517

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, 2019.

NOTE 16 - CONTINGENCIES - (Continued)

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, ODE has not performed such a review on KIPP for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, KIPP.

In addition, KIPP's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2019 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, KIPP.

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, 2019.

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 - UNASSERTED CLAIMS

KIPP contracts with various outside vendors for food services, building and grounds maintenance services, and certain transportation services. Management has recently been made aware that the services performed by the individuals employed by these outside vendors may be subject to public employee retirement withholdings (both employer and employee mandatory retirement contributions). Under state law, KIPP may be liable for these withholdings and any associated penalties and interest. KIPP is unable to determine an estimate of this liability, if any, at this time.

NOTE 19 - 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 school in Central Ohio that are sponsored by or affiliated with the KIPP Foundation, a California public benefit corporation.

In October 2019, KIPP began operating a new athletic complex 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 athletic complex is approximately $7,638,556.

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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 SIX FISCAL YEARS

	2019	2018	2017	2016
KIPP's proportion of the net pension liability	0.05005000%	0.04709980%	0.04061010%	0.02828510%
KIPP's proportionate share of the net pension liability	$ 2,866,456	$ 2,814,109	$ 2,972,285	$ 1,613,975
KIPP's covered payroll	$ 1,592,319	$ 1,596,971	$ 1,276,693	$ 851,525
KIPP's proportionate share of the net pension liability as a percentage of its covered payroll	180.02%	176.22%	232.81%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional 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 year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014	
	0.01826800%		0.01826800%
$	924,533	$	1,086,339
$	530,844	$	434,942
	174.16%		249.77%
	71.70%		65.52%

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 SIX FISCAL YEARS

	2019	**2018**	**2017**	**2016**
KIPP's proportion of the net pension liability	0.04152844%	0.03475238%	0.02563444%	0.02001816%
KIPP's proportionate share of the net pension liability	$ 9,131,172	$ 8,255,502	$ 8,580,620	$ 5,532,434
KIPP's covered payroll	$ 4,770,286	$ 3,904,871	$ 2,735,829	$ 2,132,679
KIPP's proportionate share of the net pension liability as a percentage of its covered payroll	191.42%	211.42%	313.64%	259.41%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional 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 year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014	
	0.01373600%		0.01373600%
$	3,341,109	$	3,979,908
$	1,403,454	$	1,417,977
	238.06%		280.68%
	74.70%		69.30%

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 264,396	$ 214,963	$ 223,576	$ 178,737
Contributions in relation to the contractually required contribution	(264,396)	(214,963)	(223,576)	(178,737)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered payroll	$ 1,958,489	$ 1,592,319	$ 1,596,971	$ 1,276,693
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	112,231	$	73,575	$	60,196	$	26,208	$	36,739	$	33,412
	(112,231)		(73,575)		(60,196)		(26,208)		(36,739)		(33,412)
$	-	$	-	$	-	$	-	$	-	$	-
$	851,525	$	530,844	$	434,942	$	194,855	$	292,275	$	246,765
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 862,435	$ 667,840	$ 546,682	$ 383,016
Contributions in relation to the contractually required contribution	(862,435)	(667,840)	(546,682)	(383,016)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered payroll	$ 6,160,250	$ 4,770,286	$ 3,904,871	$ 2,735,829
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	298,575	$	182,449	$	184,337	$	166,117	$	107,942	$	56,603
	(298,575)		(182,449)		(184,337)		(166,117)		(107,942)		(56,603)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,132,679	$	1,403,454	$	1,417,977	$	1,277,823	$	830,323	$	435,408
	14.00%		13.00%		13.00%		13.00%		13.00%		13.00%

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
KIPP's proportion of the net OPEB liability	0.04720320%	0.04414050%	0.03773137%
KIPP's proportionate share of the net OPEB liability	$ 1,309,544	$ 1,184,615	$ 1,075,484
KIPP's covered payroll	$ 1,592,319	$ 1,596,971	$ 1,276,693
KIPP's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.24%	74.18%	84.24%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional 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 year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
KIPP's proportion of the net OPEB liability/asset	0.04152844%	0.03475238%	0.02563444%
KIPP's proportionate share of the net OPEB liability/(asset)	$ (667,320)	$ 1,355,910	$ 1,370,937
KIPP's covered payroll	$ 4,770,286	$ 3,904,871	$ 2,735,829
KIPP's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.99%	34.72%	50.11%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional 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 year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 15,954	$ 17,597	$ 7,152	$ 4,408
Contributions in relation to the contractually required contribution	(15,954)	(17,597)	(7,152)	(4,408)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered payroll	$ 1,958,489	$ 1,592,319	$ 1,596,971	$ 1,276,693
Contributions as a percentage of covered payroll	0.81%	1.11%	0.45%	0.35%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	8,265	$	1,447	$	3,869	$	1,030	$	1,997	$	1,885
	(8,265)		(1,447)		(3,869)		(1,030)		(1,997)		(1,885)
$	-	$	-	$	-	$	-	$	-	$	-
$	851,525	$	530,844	$	434,942	$	194,855	$	292,275	$	246,765
	0.97%		0.27%		0.89%		0.53%		0.68%		0.76%

KIPP COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
KIPP's covered payroll	$ 6,160,250	$ 4,770,286	$ 3,904,871	$ 2,735,829
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ -	$ 13,821	$ 13,167	$ 11,866	$ 7,710	$ 4,766
-	(13,821)	(13,167)	(11,866)	(7,710)	(4,766)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,132,679	$ 1,403,454	$ 1,417,977	$ 1,277,823	$ 830,323	$ 435,408
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

PENSION

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. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

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, (g) mortality among disabled members 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 and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

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. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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 the following: 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

KIPP COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	$ 351,638	$ -
National School Lunch Program	N/A	10.555	611,712	134,877
Total U.S. Department of Agriculture			963,350	134,877
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States	N/A	84.027	308,040	-
Special Education Preschool Grants	N/A	84.173	3,481	-
Total Special Education Cluster			311,521	-
Title I Grants to Local Educational Agencies	N/A	84.010	765,901	-
Charter Schools	N/A	84.282	230,829	-
Improving Teacher Quality State Grants	N/A	84.367	100,807	-
Supporting Effective Educator Development Program	N/A	84.423	40,000	
Student Support and Academic Enrichment Program	N/A	84.424	44,632	-
Total Passed Through Ohio Department of Education			1,493,690	-
Total U.S. Department of Education			1,493,690	-
Total Expenditures of Federal Awards			**$ 2,457,040**	**$ 134,877**

The accompanying notes are an integral part of this Schedule.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019. 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.

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, 2019, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements and have issued our report thereon December 11, 2019.

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*.

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 report is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

December 11, 2019
Newark, Ohio

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, 2019. 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 programs.

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.

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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, 2019.

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.

December 11, 2019
Newark, Ohio

KIPP COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515

JUNE 30, 2019

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):**	Nutrition Cluster
(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.

OHIO AUDITOR OF STATE
KEITH FABER

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
JANUARY 23, 2020