**KIPP COLUMBUS**

**FRANKLIN COUNTY**

**SINGLE AUDIT**

**JULY 1, 2022 – JUNE 30, 2023**

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Directors
KIPP Columbus
2080 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of KIPP Columbus, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2022 through June 30, 2023. 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. KIPP Columbus is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

**February 02, 2024**

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**KIPP COLUMBUS**
**FRANKLIN COUNTY**

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**FRANKLIN COUNTY**

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WILSON, SHANNON & SNOW INC.
CPAs & ADVISORS

# INDEPENDENT AUDITOR'S REPORT

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of KIPP Columbus, Franklin County, Ohio (KIPP), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of KIPP Columbus, Franklin County, Ohio as of June 30, 2023, and the changes in 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of KIPP, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.


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***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KIPP's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities/assets and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KIPP's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KIPP's 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.

Newark, Ohio
December 21, 2023

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, 2023. 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 2023 are as follows:

- Net position at June 30, 2023 was $67,015,461. This represents a decrease of $529,730 compared to the prior fiscal year's net position.

- KIPP had operating revenues of $16,449,868 and non-operating revenues of $13,768,378. Operating expenses for the fiscal year were $30,729,740 and non-operating expenses were $18,236.

## 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 2023?" 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 10 and 11 of this report. The statement of cash flows can be found on pages 12-13.

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 14-40 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information provides detailed information regarding KIPP's proportionate share of the net pension liability and the net OPEB liability/asset of the retirement systems. It also includes a ten year schedule of KIPP's contributions to the retirement systems to fund pension and OPEB obligations. The required supplementary information can be found on pages 42-62 of this report.

The table below provides a summary of KIPP's net position at June 30, 2023 and 2022. Certain amounts for 2022 have been restated to account for the implementation of GASB Statement No. 96 (see Note 3 in the notes to the basic financial statements for detail).

**Net Position**

| | 2023 | (Restated) 2022 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 19,993,007 | $ 17,506,162 |
| Net OPEB asset | 1,958,321 | 1,546,964 |
| Capital assets, net | 66,480,105 | 66,250,080 |
| Total assets | 88,431,433 | 85,303,206 |
| **Deferred outflows of resources** | | |
| Pension | 8,189,054 | 9,411,903 |
| OPEB | 1,544,131 | 1,566,265 |
| Total deferred outflows of resources | 9,733,185 | 10,978,168 |
| **Liabilities** | | |
| Current liabilities | 2,516,313 | 1,614,895 |
| Long-term liabilities: | | |
| Net pension liability | 22,089,528 | 12,637,924 |
| Net OPEB liability | 1,388,068 | 1,612,612 |
| Other amounts | 215,474 | 271,282 |
| Total liabilities | 26,209,383 | 16,136,713 |
| **Deferred inflows of resources** | | |
| Pension | 1,797,528 | 9,905,346 |
| OPEB | 3,142,246 | 2,694,124 |
| Total deferred inflows of resources | 4,939,774 | 12,599,470 |
| **Net position** | | |
| Net investment in capital assets | 65,532,683 | 65,891,876 |
| Restricted | 4,775,231 | 2,577,906 |
| Unrestricted (deficit) | (3,292,453) | (924,591) |
| Total net position | $ 67,015,461 | $ 67,545,191 |

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/asset, respectively, not accounted for as deferred inflows/outflows of resources.

**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 mostly consist of payables and accrued wages and benefits. Non-current liabilities consist of leases payable 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.

## Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets is KIPP's capital assets, net of accumulated depreciation/amortization, less the outstanding balances of any debt obligations used to acquire those assets. A portion of KIPP's net position, $4,775,231, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $3,292,453 due to the effects of the pension and OPEB calculations.

The following table shows the changes in net position for fiscal years 2023 and 2022.

**Change in Net Position**

| | 2023 | 2022 |
|---|---|---|
| **Operating revenues:** | | |
| State Foundation | $ 16,243,178 | $ 15,987,762 |
| Charges for services and other | 206,690 | 116,463 |
| Total operating revenues | 16,449,868 | 16,104,225 |
| **Operating expenses:** | | |
| Personal services | 18,503,161 | 16,383,079 |
| Purchased services | 8,953,929 | 7,264,154 |
| Materials and supplies | 1,329,538 | 1,415,889 |
| Depreciation | 1,700,368 | 1,605,455 |
| Other | 242,744 | 216,035 |
| Total operating expenses | 30,729,740 | 26,884,612 |
| **Non-operating revenues (expenses):** | | |
| Federal and State grants | 13,102,678 | 10,982,803 |
| Interest revenue | 520,658 | 28,675 |
| Donations and contributions | 145,042 | 251,465 |
| Interest expense | (18,236) | (14,900) |
| Gain on disposal of capital assets | - | 4,792 |
| Total non-operating revenues (expenses) | 13,750,142 | 11,252,835 |
| Change in net position | (529,730) | 472,448 |
| Net position at the beginning of the fiscal year | 67,545,191 | 67,072,743 |
| Net position at the end of the fiscal year | $ 67,015,461 | $ 67,545,191 |

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 went from 1,844 in fiscal year 2022 to 1,876 in fiscal year 2023. This, combined with a change in the funding model, contributed to an increase in State Foundation revenue. This revenue source accounted for 98.7% of operating revenues and 53.8% of all revenues for fiscal year 2023.

The other significant revenue source is Federal and State grants. This mostly consists of Federal grant revenue from various grant programs such as the National School Lunch Program and Title I. KIPP also received Federal grant funding in fiscal years 2022 and 2023 from the Elementary and Secondary School Emergency Relief program. Interest revenue mainly consists of amounts earned from KIPP's STAR Ohio investment account.

The main component of expenses for KIPP is personal services, which accounted for 60.2% of all operating expenses in fiscal year 2023. These expenses consist primarily of employee wages, salaries and benefits. Personal services expenses increased $2,120,082 or 12.9%, primarily due to an increase in pension expense. This was the result of an increase in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to a decrease in net investment income compared to previous years.

As previously discussed, the effects of GASB Statements 68 and 75 distort the comparative analysis of expenses from year-to-year. The following calculation illustrates the change in net position for fiscal years 2023 and 2022 without the effects of pension and OPEB expense.

| | 2023 | 2022 |
|---|---|---|
| Total change net position (with GASB 68 and 75) | $ (529,730) | $ 472,448 |
| GASB 68 calculations: | | |
| Add pension expense | 4,567,312 | 2,733,709 |
| Less current year contributions | (2,000,677) | (1,880,048) |
| GASB 75 calculations: | | |
| Add OPEB expense | (111,949) | 166,732 |
| Less current year contributions | (53,696) | (60,004) |
| Total change net position (without GASB 68 and 75) | $ 1,871,260 | $ 1,432,837 |

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 Council of Governments. 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, 2023, KIPP's capital assets consist of land, construction in progress, land improvements, buildings and building improvements, furniture and equipment, vehicles, and intangible right to use assets for leased equipment and subscription software. The total investment in capital assets is $66,480,105, net of accumulated depreciation/amortization. During fiscal year 2023, total additions to capital assets were $1,930,393 and there were no disposals. The additions were for various equipment purchases, construction for a building improvements project, and intangible right to use assets for software. KIPP recognized depreciation/amortization expense of $1,700,368 for the year. Refer to Note 6 in the notes to the basic financial statements for more detail on KIPP's capital assets.

**Debt Administration**

Long-term debt outstanding for KIPP consists of leases payable for the right to use copier equipment and SBITA payable for the right to use software. At June 30, 2023, the balance of these obligations is $326,612, of which $111,138 is due within one year. KIPP had SBITA payable additions of $85,198 during the fiscal year, and total principal payments amounted to $98,070. See Note 9 in the notes to the basic financial statements for more detail on these obligations.

Long-term obligations at June 30, 2023 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 98.7% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, KIPP is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. Currently KIPP's allocation for fiscal year 2024 is approximately $20.5 million.

## Operations

KIPP is a legally separate non-profit corporation served by an appointed fifteen-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 12. KIPP may lease or acquire facilities as needed and contract for any services necessary for operations of KIPP.

KIPP entered into a service contract with the Educational Service Center Council of Governments for fiscal year 2023 to provide payroll, fiscal, and Comprehensive Continuous Improvement Planning (CCIP) consulting services.

## Request for Information

This financial report is designed to provide 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, 2023

| | |
|---|---|
| **Assets:** | |
| Current assets: | |
| Cash and cash equivalents | $ 15,955,700 |
| Receivables: | |
| Intergovernmental | 3,715,897 |
| Accounts | 58,132 |
| Prepayments | 200,817 |
| Materials and supplies inventory | 17,197 |
| Inventory held for resale | 45,264 |
| Total current assets | 19,993,007 |
| Non-current assets: | |
| Net OPEB asset | 1,958,321 |
| Land and construction in progress | 956,119 |
| Depreciated/amortized capital assets, net | 65,523,986 |
| Total non-current assets | 68,438,426 |
| Total assets | 88,431,433 |
| **Deferred outflows of resources:** | |
| Pension | 8,189,054 |
| OPEB | 1,544,131 |
| Total deferred outflows of resources | 9,733,185 |
| **Liabilities:** | |
| Current liabilities: | |
| Accounts payable | 1,003,557 |
| Accrued wages and benefits | 561,609 |
| Intergovernmental payable | 216,606 |
| Contracts payable | 620,810 |
| Leases payable | 71,690 |
| Accrued interest payable | 2,593 |
| SBITA payable | 39,448 |
| Total current liabilities | 2,516,313 |
| Non-current liabilities: | |
| Leases payable | 191,931 |
| SBITA payable | 23,543 |
| Net pension liability | 22,089,528 |
| Net OPEB liability | 1,388,068 |
| Total non-current liabilities | 23,693,070 |
| Total liabilities | 26,209,383 |
| **Deferred inflows of resources:** | |
| Pension | 1,797,528 |
| OPEB | 3,142,246 |
| Total deferred inflows of resources | 4,939,774 |
| **Net position:** | |
| Net investment in capital assets | 65,532,683 |
| Restricted for: | |
| OPEB | 617,190 |
| Restricted for capital projects | 1,154,975 |
| Restricted for food service operations | 1,672,334 |
| State funded programs | 10,151 |
| Federally funded programs | 81,809 |
| Other purposes | 1,238,772 |
| Unrestricted (deficit) | (3,292,453) |
| Total net position | $ 67,015,461 |

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, 2023

| | |
|---|---|
| **Operating revenues:** | |
| State Foundation | $ 16,243,178 |
| Charges for services and other | 206,690 |
| Total operating revenues | 16,449,868 |
| **Operating expenses:** | |
| Personal services | 18,503,161 |
| Purchased services | 8,953,929 |
| Materials and supplies | 1,329,538 |
| Depreciation/amortization | 1,700,368 |
| Other | 242,744 |
| Total operating expenses | 30,729,740 |
| Operating loss | (14,279,872) |
| **Non-operating revenues (expenses):** | |
| Federal and State grants | 13,102,678 |
| Interest revenue | 520,658 |
| Donations and contributions | 145,042 |
| Interest expense | (18,236) |
| Total non-operating revenues (expenses) | 13,750,142 |
| Change in net position | (529,730) |
| **Net position at beginning of fiscal year** | 67,545,191 |
| **Net position at end of fiscal year** | $ 67,015,461 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KIPP COLUMBUS**
**FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from foundation payments | $ 16,254,814 |
| Cash received from charges for services and other | 151,321 |
| Cash payments for personal services | (16,035,508) |
| Cash payments for purchased services | (8,719,775) |
| Cash payments for materials and supplies | (1,349,407) |
| Cash payments for other expenses | (249,239) |
| Net cash used in operating activities | (9,947,794) |
| **Cash flows from noncapital financing activities:** | |
| Cash received from Federal and State grants | 9,819,859 |
| Cash received from donations and contributions | 144,530 |
| Net cash provided by noncapital financing activities | 9,964,389 |
| **Cash flows from capital and related financing activities:** | |
| Acquisition of capital assets | (1,243,105) |
| Principal paid on debt | (98,070) |
| Interest paid on debt | (15,643) |
| Net cash used in capital and related financing activities | (1,356,818) |
| **Cash flows from investing activities:** | |
| Interest received | 520,658 |
| Net cash provided by investing activities | 520,658 |
| Net decrease in cash and cash equivalents | (819,565) |
| **Cash and cash equivalents at beginning of fiscal year** | 16,775,265 |
| **Cash and cash equivalents at end of fiscal year** | $ 15,955,700 |

- Continued

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **Reconciliation of operating loss to net cash used in operating activities:** | |
| Operating loss | $ (14,279,872) |
| Adjustments: | |
| Depreciation/amortization | 1,700,368 |
| Federal donated commodities | 97,185 |
| Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources: | |
| Decrease in intergovernmental receivable | 10,871 |
| Increase in accounts receivable | (56,761) |
| Increase in prepayments | (83,614) |
| Increase in materials and supplies inventory | (2,243) |
| Decrease in inventory held for resale | 11,483 |
| Increase in net OPEB asset | (411,357) |
| Decrease in deferred outflows, pension | 1,222,849 |
| Decrease in deferred outflows, OPEB | 22,134 |
| Increase in accounts payable | 180,694 |
| Increase in accrued wages and benefits | 12,369 |
| Increase in intergovernmental payable | 60,736 |
| Increase in net pension liability | 9,451,604 |
| Decrease in net OPEB liability | (224,544) |
| Decrease in deferred inflows, pension | (8,107,818) |
| Increase in deferred inflows, OPEB | 448,122 |
| Net cash used in operating activities | $ (9,947,794) |

**Non-cash transactions:**

KIPP entered into a SBITA contract to acquire intangible right to use assets during fiscal year 2023 in the amount of $85,198.

At June 30, 2023 KIPP had capital assets on account consisting of contracts payable in the amount of $620,810.

At June 30, 2022 KIPP had capital assets on account consisting of contracts payable in the amount of $18,720.

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 fifteen-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 school 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 12. 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 Council of Governments ("ESCCOG") 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 statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. See Notes 13 and 14 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively.

**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.

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

### F. Cash and Cash Equivalents

To improve cash management, all cash received by KIPP is pooled in multiple bank accounts and an account with the State Treasury Asset Reserve of Ohio (STAR Ohio). Monies for KIPP are maintained in these accounts 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.

During fiscal year 2023, KIPP invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." KIPP measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There are no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding $100 million is encouraged. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

### G. Capital Assets

KIPP's capital assets consist of land, land improvements, buildings and building improvements, furniture and equipment, vehicles, and intangible right to use assets for leased 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 and construction in progress are depreciated/amortized. Depreciation/amortization 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. The intangible right to use assets are amortized over the shorter of the estimated useful life of the asset or the term of the lease/subscription. Currently this ranges from sixty to sixty-three months for leased equipment and two to five years for SBITA software.

### 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, Elementary and Secondary School Emergency Relief, IDEA Part B, Title I, Title II-A, and Title IV-A 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 2023 was $13,102,678, 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. Capital Contributions**

Capital contributions arise from contributions of capital assets or contributions of resources restricted to capital acquisition from sources outside KIPP's reporting entity.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. KIPP had no extraordinary or special items during fiscal year 2023.

**P. Economic Dependency**

KIPP receives approximately 98.7% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue, KIPP is considered to be economically dependent on the State of Ohio Department of Education.

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

**Q. Related Party Transactions**

Three members of the KIPP Columbus Board are also members of the KIPP Columbus Foundation's Board. The KIPP Columbus Foundation (Foundation) is a separate legal 501 (C) (3) nonprofit corporation. The Foundation's specific purpose shall include, but not be limited to, supporting educational activities of schools in Central Ohio area that are sponsored by or affiliated with the KIPP Foundation, a California public benefit corporation. There were no significant related party transactions during fiscal year 2023.

**R. Inventory**

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. Inventory consists of materials and supplies held for consumption and donated and purchased for held for resale.

**S. 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 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2023, KIPP has implemented GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", GASB Statement No. 96, "*Subscription Based Information Technology Arrangements*", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of KIPP.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of KIPP.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

These changes were incorporated in KIPP's fiscal year 2023 financial statements. KIPP recognized $7,661 in SBITA payable at July 1, 2022; however, this entire amount was offset by the intangible asset, right to use SBITA software. In addition, $34,904 previously reported as prepayments (a current asset) are reclassified as capital assets (a non-current asset). This also had the effect of decreasing unrestricted net position and increasing net investment in capital assets. These changes had no net effect on net position as previously reported.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of KIPP.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of KIPP.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2023, the carrying amount of all deposits was $1,721,708 and the bank balance was $1,788,939. Of the bank balance, $250,000 was insured by the FDIC and $1,538,939 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. All statutory requirements for the deposit of money have been followed.

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 2023, KIPP's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

**B. Investments**

As of June 30, 2023, KIPP had the following investment and maturity:

| Measurement/ Investment type | Measurement Amount | Investment Maturity 6 months or less |
|---|---|---|
| *Amortized Cost:* | | |
| STAR Ohio | $ 14,233,992 | $ 14,233,992 |

The weighted average maturity of STAR Ohio is approximately 39 days.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, KIPP's investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. KIPP's investment policy does not specifically address credit risk beyond requiring KIPP to invest in securities authorized by State statute.

*Custodial Credit Risk*: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, KIPP will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. KIPP's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* KIPP places no limit on the amount that may be invested in any one issuer.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2023, 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 is comprised as follows:

| **Intergovernmental Receivables:** | Amount |
|---|---|
| National School Lunch Program | $ 22,926 |
| SERS Refund | 804 |
| Elementary & Secondary School Emergency Relief | 2,371,518 |
| IDEA - Part B | 15,054 |
| Title I | 138,257 |
| Miscellaneous Federal Grants | 9,295 |
| State Foundation Program | 3,068 |
| Ohio Facilities Construction Commission Grant | 1,154,975 |
| Total | $ 3,715,897 |

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## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Restated Balance 06/30/22 | Additions | Deductions | Balance 06/30/23 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| *Capital assets, not being depreciated/amortized:* | | | | |
| Land | $ 353,500 | $ - | $ - | $ 353,500 |
| Construction in progress | - | 602,619 | - | 602,619 |
| Total capital assets, not being depreciated/amortized | 353,500 | 602,619 | - | 956,119 |
| *Capital assets, being depreciated/amortized:* | | | | |
| Land improvements | 14,808,772 | - | - | 14,808,772 |
| Buildings and improvements | 58,563,999 | - | - | 58,563,999 |
| Furniture and equipment | 320,207 | 742,191 | - | 1,062,398 |
| Vehicles | 107,372 | - | - | 107,372 |
| Intangible right to use - leased equipment | 382,374 | - | - | 382,374 |
| Intangible right to use - SBITA software | 42,565 | 585,583 | - | 628,148 |
| Total capital assets, being depreciated/amortized | 74,225,289 | 1,327,774 | - | 75,553,063 |
| *Less: accumulated depreciation/amortization:* | | | | |
| Land improvements | (1,601,992) | (296,175) | - | (1,898,167) |
| Buildings and improvements | (6,542,875) | (1,171,653) | - | (7,714,528) |
| Furniture and equipment | (66,082) | (72,356) | - | (138,438) |
| Vehicles | (62,661) | (12,100) | - | (74,761) |
| Intangible right to use - leased equipment | (55,099) | (73,465) | - | (128,564) |
| Intangible right to use - SBITA software | - | (74,619) | - | (74,619) |
| Total accumulated depreciation/amortization | (8,328,709) | (1,700,368) | - | (10,029,077) |
| Governmental activities capital assets, net | $ 66,250,080 | $ 230,025 | $ - | $ 66,480,105 |

## NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2023, purchased services expenses were as follows:

| | |
|---|---|
| Professional and technical services | $ 2,684,955 |
| Contracted craft or trade | 1,839,958 |
| Property services | 1,734,893 |
| Other | 924,220 |
| Utilities | 648,157 |
| Pupil transportation services | 427,923 |
| Sponsorship fees | 255,695 |
| Tuition | 219,616 |
| Communications | 175,601 |
| Travel mileage and meetings | 42,911 |
| Total | $ 8,953,929 |

## 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 2023.

| | Restated Balance at 06/30/22 | Additions | Reductions | Balance at 06/30/23 | Due Within One Year |
|---|---|---|---|---|---|
| Net pension liability | $ 12,637,924 | $ 9,451,604 | $ - | $ 22,089,528 | $ - |
| Net OPEB liability | 1,612,612 | - | (224,544) | 1,388,068 | - |
| Leases payable | 331,823 | - | (68,202) | 263,621 | 71,690 |
| SBITA payable | 7,661 | 85,198 | (29,868) | 62,991 | 39,448 |
| Total long-term obligations | $ 14,590,020 | $ 9,536,802 | $ (322,614) | $ 23,804,208 | $ 111,138 |

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

*Leases payable:* KIPP has entered into lease agreements for the right to use copier equipment. KIPP is reporting an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The terms of the leases range from 60 to 63 months and payments are due monthly.

*SBITA payable:* KIPP has entered into agreements for the right to use software. Due to the implementation of GASB Statement No. 96, the District will report an intangible capital asset and corresponding liability for the future scheduled payments under the subscriptions. The subscription term for these agreements ranges from 2-3 years. Payments are due annually in advance.

The following is a schedule of future lease payments under the leases and SBITA payable:

| | Leases | | | SBITA | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | $ 71,690 | $ 11,553 | $ 83,243 | $ 39,448 | $ 3,223 | $ 42,671 |
| 2025 | 75,359 | 7,885 | 83,244 | 23,543 | 1,204 | 24,747 |
| 2026 | 79,214 | 4,030 | 83,244 | - | - | - |
| 2027 | 37,358 | 523 | 37,881 | - | - | - |
| Total | $ 263,621 | $ 23,991 | $ 287,612 | $ 62,991 | $ 4,427 | $ 67,418 |

## 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 $255,695 in sponsorship fees for fiscal year 2023, which is included as a component of purchased services expenses (see Note 7).

## NOTE 11 - SERVICE AGREEMENT

KIPP entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2023 to provide payroll, fiscal, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. KIPP paid the ESCCOG $175,266 in service fees for fiscal year 2023, which is included in the professional and technical services component of purchased services expenses (see Note 7).

## 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 2023, 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

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability/Asset***

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions–between an employer and its employees–of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent KIPP's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/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 pensions/OPEB are financed; however, KIPP does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – KIPP's 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 | 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and KIPP is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

KIPP's contractually required contribution to SERS was $575,050 for fiscal year 2023. Of this amount, $3,098 is reported as a liability.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS, 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 (CO) 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 is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. 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 and after termination of employment.

**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. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

KIPP's contractually required contribution to STRS was $1,425,627 for fiscal year 2023. Of this amount, $75,527 is reported as a liability.

***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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. KIPP's proportion of the net pension liability was based on KIPP's share of contributions to the pension plan relative to the contributions of all participating entities.

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.088267200% | 0.073370828% | |
| Proportion of the net pension liability current measurement date | 0.097560100% | 0.075630340% | |
| Change in proportionate share | 0.009292900% | 0.002259512% | |
| Proportionate share of the net pension liability | $ 5,276,809 | $ 16,812,719 | $ 22,089,528 |
| Pension expense | $ 998,685 | $ 3,568,627 | $ 4,567,312 |

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2023, 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 | $ 213,715 | $ 215,224 | $ 428,939 |
| Net difference between projected and actual earnings on pension plan investments | - | 585,046 | 585,046 |
| Changes of assumptions | 52,067 | 2,011,978 | 2,064,045 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 506,561 | 2,603,786 | 3,110,347 |
| Contributions subsequent to the measurement date | 575,050 | 1,425,627 | 2,000,677 |
| Total deferred outflows of resources | $ 1,347,393 | $ 6,841,661 | $ 8,189,054 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ 34,640 | $ 64,313 | $ 98,953 |
| Net difference between projected and actual earnings on pension plan investments | 184,135 | - | 184,135 |
| Changes of assumptions | - | 1,514,440 | 1,514,440 |
| Total deferred inflows of resources | $ 218,775 | $ 1,578,753 | $ 1,797,528 |

$2,000,677 reported as deferred outflows of resources related to pension resulting from KIPP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

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: | | | |
| 2024 | $ 359,287 | $ 1,404,326 | $ 1,763,613 |
| 2025 | 151,317 | 919,600 | 1,070,917 |
| 2026 | (263,041) | (191,729) | (454,770) |
| 2027 | 306,005 | 1,705,084 | 2,011,089 |
| Total | $ 553,568 | $ 3,837,281 | $ 4,390,849 |

**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, 2022, are presented below:

| | |
|---|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 2.40% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.25% to 13.58% |
| COLA or ad hoc COLA: | |
| Current measurement date | 2.00% |
| Prior measurement date | 2.00% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of system expenses |
| Prior measurement date | 7.00% net of system expenses |
| Discount rate: | |
| Current measurement date | 7.00% |
| Prior measurement date | 7.00% |
| Actuarial cost method | Entry age normal (level percent of payroll) |

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | (0.45) % |
| US Equity | 24.75 | 5.37 |
| Non-US Equity Developed | 13.50 | 6.22 |
| Non-US Equity Emerging | 6.75 | 8.22 |
| Fixed Income/Global Bonds | 19.00 | 1.20 |
| Private Equity | 11.00 | 10.05 |
| Real Estate/Real Assets | 16.00 | 4.87 |
| Multi-Asset Strategy | 4.00 | 3.39 |
| Private Debt/Private Credit | 3.00 | 5.38 |
| Total | 100.00 % | |

***Discount Rate -*** The total pension liability was calculated using the discount rate of 7.00%. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net pension liability | $ 7,767,211 | $ 5,276,809 | $ 3,178,679 |

**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 June 30, 2022, actuarial valuation are presented below:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | Varies by service from 2.50% to 8.50% | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | 7.00%, net of investment expenses, including inflation |
| Discount rate of return | 7.00% | 7.00% |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00% |

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables 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, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

***Discount Rate -*** The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

***Sensitivity of KIPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -*** The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net pension liability | $ 25,397,899 | $ 16,812,719 | $ 9,552,316 |

***Changes Between Measurement Date and Reporting Date -*** STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

See Note 13 for a description of the net OPEB liability (asset).

***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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment 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 2023, this amount was $25,000. 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 2023, KIPP's surcharge obligation was $53,696.

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 $53,696 for fiscal year 2023, which is reported as a liability.

***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. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. 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, 2023, 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, 2022, 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.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability/asset prior measurement date | 0.085207000% | 0.073370828% | |
| Proportion of the net OPEB liability/asset current measurement date | 0.098864500% | 0.075630340% | |
| Change in proportionate share | 0.013657500% | 0.002259512% | |
| Proportionate share of the net OPEB liability | $ 1,388,068 | $ - | $ 1,388,068 |
| Proportionate share of the net OPEB (asset) | $ - | $ (1,958,321) | $ (1,958,321) |
| OPEB expense | $ 117,887 | $ (229,836) | $ (111,949) |

At June 30, 2023, 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 | $ 11,667 | $ 28,389 | $ 40,056 |
| Net difference between projected and actual earnings on OPEB plan investments | 7,216 | 34,092 | 41,308 |
| Changes of assumptions | 220,790 | 83,419 | 304,209 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 907,369 | 197,493 | 1,104,862 |
| Contributions subsequent to the measurement date | 53,696 | - | 53,696 |
| Total deferred outflows of resources | $ 1,200,738 | $ 343,393 | $ 1,544,131 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ 887,911 | $ 294,106 | $ 1,182,017 |
| Changes of assumptions | 569,811 | 1,388,646 | 1,958,457 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | - | 1,772 | 1,772 |
| Total deferred inflows of resources | $ 1,457,722 | $ 1,684,524 | $ 3,142,246 |

$53,696 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 fiscal year ending June 30, 2024.

**NOTE 14 – DEFINED BENEFIT OPEB PLANS – (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2024 | $ (66,463) | $ (326,098) | $ (392,561) |
| 2025 | (69,713) | (388,927) | (458,640) |
| 2026 | (49,800) | (196,156) | (245,956) |
| 2027 | (19,058) | (83,307) | (102,365) |
| 2028 | (35,284) | (114,338) | (149,622) |
| Thereafter | (70,362) | (232,305) | (302,667) |
| Total | $ (310,680) | $ (1,341,131) | $ (1,651,811) |

***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.

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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

| | |
|---|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 2.40% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.25% to 13.58% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of investment expense, including inflation |
| Prior measurement date | 7.00% net of investment expense, including inflation |
| Municipal bond index rate: | |
| Current measurement date | 3.69% |
| Prior measurement date | 1.92% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Current measurement date | 4.08% |
| Prior measurement date | 2.27% |
| Medical trend assumption: | |
| Current measurement date | 7.00 to 4.40% |
| Prior measurement date | |
| Medicare | 5.125 to 4.400% |
| Pre-Medicare | 6.750 to 4.400% |

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. 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 long-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, 7.00%, 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 are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | (0.45) % |
| US Equity | 24.75 | 5.37 |
| Non-US Equity Developed | 13.50 | 6.22 |
| Non-US Equity Emerging | 6.75 | 8.22 |
| Fixed Income/Global Bonds | 19.00 | 1.20 |
| Private Equity | 11.00 | 10.05 |
| Real Estate/Real Assets | 16.00 | 4.87 |
| Multi-Asset Strategy | 4.00 | 3.39 |
| Private Debt/Private Credit | 3.00 | 5.38 |
| Total | 100.00 % | |

***Discount Rate -*** The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

***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, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net OPEB liability | $ 1,724,001 | $ 1,388,068 | $ 1,116,878 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net OPEB liability | $ 1,070,449 | $ 1,388,068 | $ 1,802,929 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | Varies by service from 2.50% to 8.50% | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | | 7.00%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discount rate of return | 7.00% | | 7.00% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| | Initial | Ultimate | Initial | Ultimate |
| Medical | | | | |
| Pre-Medicare | 7.50% | 3.94% | 5.00% | 4.00% |
| Medicare | -68.78% | 3.94% | -16.18% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 9.00% | 3.94% | 6.50% | 4.00% |
| Medicare | -5.47% | 3.94% | 29.98% | 4.00% |

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

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For the prior measurement date, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables 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 Tables 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, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

***Assumption Changes Since the Prior Measurement Date*** - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

***Benefit Term Changes Since the Prior Measurement Date*** - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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 | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

***Discount Rate*** **-** The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

***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, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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.

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net OPEB asset | $ 1,813,442 | $ 1,958,321 | $ 2,085,014 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| KIPP's proportionate share of the net OPEB asset | $ 2,031,255 | $ 1,958,321 | $ 1,866,260 |

**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, 2023.

**B. Federal and State Funding**

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 for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

As of the date of this report, additional ODE adjustments for fiscal year 2023 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2023 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 2023 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2023 financial statements, related to additional reconciliation necessary with these contracts/agreements, is not determinable. Management believes this may result in either an additional receivable to, or liability of, KIPP.

**NOTE 16 - CONTINGENCIES - (Continued)**

**C. Litigation**

KIPP is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2023.

**NOTE 17 - TAX EXEMPT STATUS**

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

# 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 TEN FISCAL YEARS

| | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|
| KIPP's proportion of the net pension liability | 0.09756010% | 0.08826720% | 0.07658940% | 0.05599700% |
| KIPP's proportionate share of the net pension liability | $ 5,276,809 | $ 3,256,804 | $ 5,065,784 | $ 3,350,399 |
| KIPP's covered payroll | $ 3,629,964 | $ 3,009,843 | $ 2,694,521 | $ 1,958,489 |
| KIPP's proportionate share of the net pension liability as a percentage of its covered payroll | 145.37% | 108.21% | 188.00% | 171.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.82% | 82.86% | 68.55% | 70.85% |

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

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| 0.05005000% | 0.04709980% | 0.04061010% | 0.02828510% | 0.01826800% | 0.01826800% |
| $ 2,866,456 | $ 2,814,109 | $ 2,972,285 | $ 1,613,975 | $ 924,533 | $ 1,086,339 |
| $ 1,592,319 | $ 1,596,971 | $ 1,276,693 | $ 851,525 | $ 530,844 | $ 434,942 |
| 180.02% | 176.22% | 232.81% | 189.54% | 174.16% | 249.77% |
| 71.36% | 69.50% | 62.98% | 69.16% | 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 TEN FISCAL YEARS

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| KIPP's proportion of the net pension liability | 0.07563034% | 0.07337083% | 0.06904467% | 0.05173910% |
| KIPP's proportionate share of the net pension liability | $ 16,812,719 | $ 9,381,120 | $ 16,706,353 | $ 11,441,791 |
| KIPP's covered payroll | $ 9,798,950 | $ 9,052,664 | $ 8,512,764 | $ 6,160,250 |
| KIPP's proportionate share of the net pension liability as a percentage of its covered payroll | 171.58% | 103.63% | 196.25% | 185.74% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.88% | 87.78% | 75.48% | 77.40% |

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

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| 0.04152844% | 0.03475238% | 0.02563444% | 0.02001816% | 0.01373600% | 0.01373600% |
| $ 9,131,172 | $ 8,255,502 | $ 8,580,620 | $ 5,532,434 | $ 3,341,109 | $ 3,979,908 |
| $ 4,770,286 | $ 3,904,871 | $ 2,735,829 | $ 2,132,679 | $ 1,403,454 | $ 1,417,977 |
| 191.42% | 211.42% | 313.64% | 259.41% | 238.06% | 280.68% |
| 77.31% | 75.30% | 66.80% | 72.10% | 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

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Contractually required contribution | $ 575,050 | $ 508,195 | $ 421,378 | $ 377,233 |
| Contributions in relation to the contractually required contribution | (575,050) | (508,195) | (421,378) | (377,233) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| KIPP's covered payroll | $ 4,107,500 | $ 3,629,964 | $ 3,009,843 | $ 2,694,521 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | | | | | |
|---|---|---|---|---|---|
| **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| $ 264,396 | $ 214,963 | $ 223,576 | $ 178,737 | $ 112,231 | $ 73,575 |
| (264,396) | (214,963) | (223,576) | (178,737) | (112,231) | (73,575) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 1,958,489 | $ 1,592,319 | $ 1,596,971 | $ 1,276,693 | $ 851,525 | $ 530,844 |
| 13.50% | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% |

**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

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Contractually required contribution | $ 1,425,627 | $ 1,371,853 | $ 1,267,373 | $ 1,191,787 |
| Contributions in relation to the contractually required contribution | (1,425,627) | (1,371,853) | (1,267,373) | (1,191,787) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| KIPP's covered payroll | $ 10,183,050 | $ 9,798,950 | $ 9,052,664 | $ 8,512,764 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| | $ 862,435 | $ 667,840 | $ 546,682 | $ 383,016 | $ 298,575 | $ 182,449 |
| | (862,435) | (667,840) | (546,682) | (383,016) | (298,575) | (182,449) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 6,160,250 | $ 4,770,286 | $ 3,904,871 | $ 2,735,829 | $ 2,132,679 | $ 1,403,454 |
| | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 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 SEVEN FISCAL YEARS

| | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|
| KIPP's proportion of the net OPEB liability | 0.09886450% | 0.08520700% | 0.07355580% | 0.05193660% |
| KIPP's proportionate share of the net OPEB liability | $ 1,388,068 | $ 1,612,612 | $ 1,598,608 | $ 1,306,096 |
| KIPP's covered payroll | $ 3,629,964 | $ 3,009,843 | $ 2,694,521 | $ 1,958,489 |
| KIPP's proportionate share of the net OPEB liability as a percentage of its covered payroll | 38.24% | 53.58% | 59.33% | 66.69% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 30.34% | 24.08% | 18.17% | 15.57% |

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

| 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | 0.04720320% | | 0.04414050% | | 0.03773137% |
| $ | 1,309,544 | $ | 1,184,615 | $ | 1,075,484 |
| $ | 1,592,319 | $ | 1,596,971 | $ | 1,276,693 |
| | 82.24% | | 74.18% | | 84.24% |
| | 13.57% | | 12.46% | | 11.49% |

**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 SEVEN FISCAL YEARS

| | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|
| KIPP's proportion of the net OPEB liability/asset | 0.07563034% | 0.07337083% | 0.06904467% | 0.05173910% |
| KIPP's proportionate share of the net OPEB liability/(asset) | $ (1,958,321) | $ (1,546,964) | $ (1,213,460) | $ (856,923) |
| KIPP's covered payroll | $ 9,798,950 | $ 9,052,664 | $ 8,512,764 | $ 6,160,250 |
| KIPP's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 19.99% | 17.09% | 14.25% | 13.91% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 230.73% | 174.73% | 182.10% | 174.70% |

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| | 0.04152844% | 0.03475238% | 0.02563444% |
| | $ (667,320) | $ 1,355,910 | $ 1,370,937 |
| | $ 4,770,286 | $ 3,904,871 | $ 2,735,829 |
| | 13.99% | 34.72% | 50.11% |
| | 176.00% | 47.10% | 37.30% |

**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

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Contractually required contribution | $ 53,696 | $ 60,004 | $ 27,921 | $ 19,249 |
| Contributions in relation to the contractually required contribution | (53,696) | (60,004) | (27,921) | (19,249) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| KIPP's covered payroll | $ 4,107,500 | $ 3,629,964 | $ 3,009,843 | $ 2,694,521 |
| Contributions as a percentage of covered payroll | 1.31% | 1.65% | 0.93% | 0.71% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $ | 15,954 | $ | 17,597 | $ | 7,152 | $ | 4,408 | $ | 8,265 | $ | 1,447 |
| | (15,954) | | (17,597) | | (7,152) | | (4,408) | | (8,265) | | (1,447) |
| $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 1,958,489 | $ | 1,592,319 | $ | 1,596,971 | $ | 1,276,693 | $ | 851,525 | $ | 530,844 |
| | 0.81% | | 1.11% | | 0.45% | | 0.35% | | 0.97% | | 0.27% |

**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

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| KIPP's covered payroll | $ 10,183,050 | $ 9,798,950 | $ 9,052,664 | $ 8,512,764 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 13,821 |
| - | - | - | - | - | (13,821) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 6,160,250 | $ 4,770,286 | $ 3,904,871 | $ 2,735,829 | $ 2,132,679 | $ 1,403,454 |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 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 year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 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%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit receipients commencing benefits on or after April 1, 2018.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

*Changes in assumptions* :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 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 year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

## PENSION (CONTINUED)

### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 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.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.

*Changes in assumptions* :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- 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 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.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, 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 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.

## 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 reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)*

*Changes in assumptions*:

- For fiscal year 2017, 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.

- 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 rates 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 (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*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.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

*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) 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/asset 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 health care cost 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.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)*

*Changes in assumptions (continued)* :

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

**KIPP COLUMBUS**
**FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

| **FEDERAL GRANTOR** *Pass Through Grantor* Program Title | Pass Through Entity Number | Assistance Listing Number | Disbursements | Non-Cash Disbursements |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| *Passed Through Ohio Department of Education:* | | | | |
| Child Nutrition Cluster: | | | | |
| National School Breakfast Program | N/A | 10.553 | $ 456,282 | $ - |
| National School Lunch Program | N/A | 10.555 | 1,053,002 | 61,208 |
| COVID-19 National School Lunch Program | N/A | 10.555 | 52,374 | - |
| Fresh Fruit & Vegetable Program | N/A | 10.582 | 84,872 | 35,977 |
| Total Nutrition Cluster | | | 1,646,530 | 97,185 |
| Child & Adult Food Program | N/A | 10.558 | 72,919 | - |
| Total U.S. Department of Agriculture | | | 1,719,449 | 97,185 |
| **U.S. DEPARTMENT OF EDUCATION** | | | | |
| *Passed Through Ohio Department of Education:* | | | | |
| Special Education Cluster: | | | | |
| Special Education Grants to States | N/A | 84.027A | 470,459 | - |
| COVID-19 Special Education Grants to States | N/A | 84.027X | 3,347 | |
| Special Education Preschool Grants | N/A | 84.173A | 3,184 | - |
| Total Special Education Cluster | | | 476,990 | - |
| Title I Grants to Local Educational Agencies | N/A | 84.010 | 1,495,725 | - |
| Charter Schools | N/A | 84.282 | 9,295 | - |
| Supporting Effective Instruction State Grants | N/A | 84.367 | 139,520 | - |
| Student Support and Academic Enrichment Program | N/A | 84.424 | 109,948 | - |
| COVID-19 Elementary and Secondary School Emergency Relief Fund II | N/A | 84.425D | 868,932 | - |
| COVID-19 ARP Elementary and Secondary School Emergency Relief Fund | N/A | 84.425U | 3,671,280 | - |
| COVID-19 Elementary and Secondary School Relief Fund - ARP Homeless II | N/A | 84.425W | 20,379 | - |
| Total Elementary and Secondary School Emergency Relief Fund | | | 4,560,591 | - |
| *Total Passed Through Ohio Department of Education* | | | 6,792,069 | - |
| Total U.S. Department of Education | | | 6,792,069 | - |
| **U.S. DEPARTMENT OF TREASURY** | | | | |
| *Passed Through Office of Budget Management:* | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | N/A | 21.027 | 18,191 | - |
| **Total Expenditures of Federal Awards** | | | **$ 8,529,709** | **$ 97,185** |

*The accompanying notes are in integral part of this schedule.*

**KIPP COLUMBUS**
**FRANKLIN COUNTY**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

## 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, 2023. 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.

## NOTE C – INDIRECT COST RATE

KIPP has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE D - 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 E – FOOD DONATION PROGRAM

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

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

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

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP Columbus, Franklin County, (KIPP) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements and have issued our report thereon dated December 21, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered KIPP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of KIPP's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether KIPP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KIPP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 21, 2023

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

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited KIPP Columbus', Franklin County, (KIPP) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of KIPPs' major federal programs for the fiscal year ended June 30, 2023. KIPP's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, KIPP Columbus complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of KIPP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KIPP's compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

KIPP's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the KIPP's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KIPP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KIPP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KIPP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of KIPP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KIPP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 21, 2023

**KIPP COLUMBUS**
**FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS**
**2 CFR § 200.515**
**JUNE 30, 2023**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| *(d)(1)(i)* | **Type of Financial Statement Opinion** | Unmodified |
| *(d)(1)(ii)* | **Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?** | No |
| *(d)(1)(ii)* | **Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| *(d)(1)(iii)* | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | No |
| *(d)(1)(iv)* | **Were there any material weaknesses in internal control reported for major federal programs?** | No |
| *(d)(1)(iv)* | **Were there any significant deficiencies in internal control reported for major federal programs?** | No |
| *(d)(1)(v)* | **Type of Major Programs' Compliance Opinion** | Unmodified |
| *(d)(1)(vi)* | **Are there any reportable findings under 2 CFR § 200.516(a)?** | No |
| *(d)(1)(vii)* | **Major Programs (list):** | Title I/ALN #84.010<br>Elementary and Secondary School Emergency Relief Fund/ALN #84.425D, 84.425U, 84.425W |
| *(d)(1)(viii)* | **Dollar Threshold: Type A\B Programs** | Type A: > $750,000<br>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**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 2/15/2024**

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