



OHIO AUDITOR OF STATE  
**KEITH FABER**





**KIPP Columbus  
FRANKLIN COUNTY  
JUNE 30, 2020**

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**KIPP Columbus  
FRANKLIN COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

KIPP Columbus  
Franklin County  
2080 Citygate Drive  
Columbus, Ohio 43219

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of KIPP Columbus, Franklin County, Ohio (KIPP), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KIPP, as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of KIPP. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021, on our consideration of KIPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 17, 2021

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**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020. 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 2020 are as follows:

- Net position at June 30, 2020 was \$64,401,065. This represents an increase of \$5,222,333 compared to the prior fiscal year's net position. This increase is primarily a result of recording donated materials, supplies, and capital assets of \$7,638,556.
- KIPP had operating revenues of \$14,496,743 and non-operating revenues of \$7,688,689. Operating expenses for the fiscal year were \$24,556,149 and non-operating expenses were \$10,278. KIPP also received capital contributions of \$7,603,328 during the year.

**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 2020?" 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 11 and 12 of this report. The statement of cash flows can be found on pages 13-14.

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 15-41 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 44-59 of this report.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The table below provides a summary of KIPP's net position at June 30, 2020 and 2019.

	2020	2019
<b><u>Net Position</u></b>		
<b><u>Assets</u></b>		
Current assets	\$ 8,331,914	\$ 4,359,350
Net OPEB asset	856,923	667,320
Capital assets, net	68,802,120	62,605,384
Total assets	77,990,957	67,632,054
<b><u>Deferred outflows of resources</u></b>		
Pension	7,087,134	7,225,761
OPEB	942,473	831,602
Total deferred outflows of resources	8,029,607	8,057,363
<b><u>Liabilities</u></b>		
Current liabilities	2,247,511	1,193,886
Long-term liabilities:		
Net pension liability	14,792,190	11,997,628
Net OPEB liability	1,306,096	1,309,544
Other amounts	1,224,889	172,861
Total liabilities	19,570,686	14,673,919
<b><u>Deferred inflows of resources</u></b>		
Pension	651,747	692,757
OPEB	1,397,066	1,144,009
Total deferred inflows of resources	2,048,813	1,836,766
<b><u>Net position</u></b>		
Net investment in capital assets	68,601,757	62,372,565
Restricted	866,701	475,155
Unrestricted (deficit)	(5,067,393)	(3,668,988)
Total net position	\$ 64,401,065	\$ 59,178,732

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, KIPP's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$64,401,065. Of this total, \$866,701 is restricted in use and unrestricted net position is a deficit of \$5,067,393.

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.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability/asset since they received the benefit of the exchange. However, KIPP is not responsible for certain key factors affecting the balances of these liabilities/assets. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**Assets**

Current assets consist primarily of cash and cash equivalents and receivables. KIPP received donated capital assets during fiscal year 2020 consisting of land improvements, buildings and building improvements. The acquisition value of these assets was \$7,603,328. 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 capital lease obligations, loans 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, less the outstanding balances of any debt obligations used to acquire those assets. A portion of KIPP's net position, \$866,701, 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 \$5,067,393 due to the effects of the pension and OPEB calculations.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following table shows the changes in net position for fiscal years 2020 and 2019.

	2020	2019
<b><u>Operating revenues:</u></b>		
State Foundation	\$ 14,245,392	\$ 11,032,478
Charges for services and other	251,351	239,683
Total operating revenues	14,496,743	11,272,161
<b><u>Operating expenses:</u></b>		
Personal services	16,569,028	11,059,869
Purchased services	5,409,242	4,400,780
Materials and supplies	941,610	760,450
Depreciation	1,467,894	1,421,295
Other	168,375	177,821
Total operating expenses	24,556,149	17,820,215
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and State grants	6,627,575	2,640,559
Donations and contributions	1,001,601	1,015,509
Donated materials and supplies	35,228	-
Interest revenue	24,285	453
Interest expense	(10,278)	(8,661)
Loss on disposal of capital assets	-	(1,518)
Total non-operating revenues (expenses)	7,678,411	3,646,342
Change in net position before capital contributions	(2,380,995)	(2,901,712)
Capital contributions	7,603,328	-
Change in net position	5,222,333	(2,901,712)
Net position at the beginning of the fiscal year	59,178,732	62,080,444
Net position at the end of the fiscal year	\$ 64,401,065	\$ 59,178,732

KIPP's primary source of operating revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. KIPP's FTE increased from 1,373 in fiscal year 2019 to 1,773 in fiscal year 2020. State Foundation revenue accounted for 98.3% of operating revenues and 47.8% of all revenues for fiscal year 2020. KIPP received donated materials and supplies which is reported as non-operating revenue, and donated capital assets which is reported as capital contributions. The other significant revenue sources in 2020 were Federal and State grants and donations and contributions. Most of the former consists of Federal grant revenue from various grant programs such as the National School Lunch Program and Title I, and also Student Wellness and Success grants from the State. Donations and contributions consist of amounts that KIPP receives from various local sources.

The main component of expenses for KIPP is personal services, which accounted for 67.5% of all operating expenses in fiscal year 2020. These expenses consist primarily of employee wages, salaries and benefits. Personal services expenses increased \$5,509,159 or 49.8%. This is partially due to an increase in staff to accommodate the growing student population. In addition, the net effect of accounting for GASB Statements 68 and 75 was to increase personal services expenses in fiscal year 2020. As previously discussed, the effects of these Statements distort the comparative analysis of expenses from year-to-year.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following calculation illustrates the change in net position for fiscal years 2020 and 2019 without the effects of pension and OPEB expense.

	<u>2020</u>	<u>2019</u>
Total change net position (with GASB 68 and 75)	\$ 5,222,333	\$ (2,901,712)
GASB 68 calculations:		
Add pension expense	4,461,199	3,034,284
Less current year contributions	(1,569,020)	(1,126,831)
GASB 75 calculations:		
Add OPEB expense	(31,616)	(1,220,539)
Less current year contributions	<u>(19,249)</u>	<u>(15,954)</u>
Total change net position (without GASB 68 and 75)	<u>\$ 8,063,647</u>	<u>\$ (2,230,752)</u>

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, 2020, KIPP's capital assets consist of land, land improvements, buildings and building improvements, furniture and equipment, and vehicles in the amount of \$68,802,120 (net of accumulated depreciation). During fiscal year 2020, total additions to capital assets were \$7,664,630 and depreciation expense amounted to \$1,467,894. Most of the additions were donated land improvements and buildings for a new athletics complex. 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 consist of capital lease obligations for the acquisition of copier equipment and loans payable. At June 30, 2020, the balance of the leases is \$200,363, of which \$67,990 is due within one year. Principal and interest payments in fiscal year 2020 were \$59,958 and \$10,278, respectively. Loans payable consist of a \$1,960,000 loan issued in April 2020 under the Paycheck Protection Program (PPP) to help KIPP with payroll costs during the COVID-19 crisis. This loan will be fully forgiven as long as certain conditions relating to the use of the funds are met. See Note 9 in the notes to the basic financial statements for more detail on the loan and capital leases.

Long-term obligations at June 30, 2020 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 98.3% of its operating revenue from the Ohio Department of Education. Additionally, approximately 99.1% of all revenues are from the Ohio Department of Education or from grants and donations. As such, KIPP is economically dependent on these three revenue sources.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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 2020 to provide payroll, fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services.

**Request for Information**

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

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**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

**Assets:**

Current assets:

Cash and cash equivalents . . . . .	\$	7,714,945
Receivables:		
Intergovernmental . . . . .		385,408
Accounts . . . . .		52,979
Prepayments . . . . .		151,457
Materials and supplies inventory. . . . .		6,716
Inventory held for resale . . . . .		20,409

Total current assets . . . . .		8,331,914
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Non-current assets:

Net OPEB asset. . . . .		856,923
Land . . . . .		353,500
Depreciable capital assets, net . . . . .		68,448,620

Total non-current assets . . . . .		69,659,043
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Total assets . . . . .		77,990,957
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**Deferred outflows of resources:**

Pension . . . . .		7,087,134
OPEB . . . . .		942,473

Total deferred outflows of resources . . . . .		8,029,607
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**Liabilities:**

Current liabilities:

Accounts payable. . . . .		326,023
Accrued wages and benefits . . . . .		634,776
Intergovernmental payable . . . . .		351,238
Capital leases payable . . . . .		67,990
Loans payable . . . . .		867,484

Total current liabilities . . . . .		2,247,511
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Non-current liabilities:

Capital leases payable . . . . .		132,373
Loans payable . . . . .		1,092,516
Net pension liability (see Note 13). . . . .		14,792,190
Net OPEB liability (see Note 14). . . . .		1,306,096

Total non-current liabilities . . . . .		17,323,175
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Total liabilities. . . . .		19,570,686
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**Deferred inflows of resources:**

Pension . . . . .		651,747
OPEB . . . . .		1,397,066

Total deferred inflows of resources . . . . .		2,048,813
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**Net position:**

Net investment in capital assets . . . . .		68,601,757
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Restricted for:

State funded programs. . . . .		93,463
Federally funded programs . . . . .		39,959
Other purposes. . . . .		733,279

Unrestricted (deficit). . . . .		(5,067,393)
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Total net position. . . . .		\$ 64,401,065
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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, 2020

<b>Operating revenues:</b>	
State Foundation . . . . .	\$ 14,245,392
Charges for services and other . . . . .	251,351
Total operating revenues . . . . .	<u>14,496,743</u>
 <b>Operating expenses:</b>	
Personal services . . . . .	16,569,028
Purchased services . . . . .	5,409,242
Materials and supplies . . . . .	941,610
Depreciation . . . . .	1,467,894
Other . . . . .	168,375
Total operating expenses . . . . .	<u>24,556,149</u>
 Operating loss. . . . .	 <u>(10,059,406)</u>
 <b>Non-operating revenues (expenses):</b>	
Federal and State grants . . . . .	6,627,575
Interest revenue . . . . .	24,285
Donations and contributions . . . . .	1,001,601
Donated materials and supplies. . . . .	35,228
Interest expense. . . . .	(10,278)
Total nonoperating revenues (expenses) . . . . .	<u>7,678,411</u>
 Loss before capital contributions . . . . .	 (2,380,995)
Capital contributions. . . . .	<u>7,603,328</u>
 Change in net position. . . . .	 5,222,333
 <b>Net position at beginning of fiscal year . . . . .</b>	 <u>59,178,732</u>
<b>Net position at end of fiscal year. . . . .</b>	<b><u>\$ 64,401,065</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Cash flows from operating activities:</b>	
Cash received from foundation payments . . . . .	\$ 14,152,576
Cash received from charges for services and other . . . . .	298,734
Cash payments for personal services. . . . .	(13,379,152)
Cash payments for purchased services. . . . .	(5,405,395)
Cash payments for materials and supplies . . . . .	(974,223)
Cash payments for other expenses . . . . .	(168,609)
	(5,476,069)
<b>Net cash used in operating activities . . . . .</b>	
<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal and State grants. . . . .	6,294,403
Cash received from loans . . . . .	1,960,000
Cash received from donations and contributions. . . . .	1,118,901
	9,373,304
<b>Net cash provided by noncapital financing activities. . . . .</b>	
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(33,800)
Principal paid on capital leases . . . . .	(59,958)
Interest paid on capital leases . . . . .	(10,278)
	(104,036)
<b>Net cash used in capital and related financing activities . . . . .</b>	
<b>Cash flows from investing activities:</b>	
Interest received. . . . .	24,285
	24,285
<b>Net cash provided by investing activities . . . . .</b>	
Net increase in cash and cash equivalents . . . . .	3,817,484
<b>Cash and cash equivalents at beginning of fiscal year. . .</b>	<b>3,897,461</b>
<b>Cash and cash equivalents at end of fiscal year . . . . .</b>	<b>\$ 7,714,945</b>

- Continued

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**Reconciliation of operating loss to net  
cash used in operating activities:**

Operating loss . . . . .	\$ (10,059,406)
Adjustments:	
Depreciation . . . . .	1,467,894
Federal donated commodities. . . . .	163,685
Donated materials and supplies . . . . .	35,228
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:	
Increase in intergovernmental receivable . . . . .	(44,783)
Decrease in accounts receivable . . . . .	50,218
Increase in prepayments . . . . .	(105,872)
Increase in materials and supplies inventory. . . . .	(1,076)
Increase in inventory held for resale . . . . .	(1,380)
Increase in net OPEB asset. . . . .	(189,603)
Decrease in deferred outflows, pension . . . . .	138,627
Increase in deferred outflows, OPEB. . . . .	(110,871)
Decrease in accounts payable. . . . .	(106,600)
Increase in accrued wages and benefits. . . . .	191,159
Increase in intergovernmental payable . . . . .	93,550
Increase in net pension liability. . . . .	2,794,562
Decrease in net OPEB liability . . . . .	(3,448)
Decrease in deferred inflows, pension. . . . .	(41,010)
Increase in deferred inflows, OPEB. . . . .	253,057
Net cash used in operating activities. . . . .	<u>\$ (5,476,069)</u>

**Non-cash capital and investing transactions:**

KIPP entered into a capital lease agreement during fiscal year 2020 in the amount of \$27,502.  
KIPP also received capital contributions of \$7,603,328 during the year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**A. Basis of Presentation**

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

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the net position reports a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. See Note 13 and Note 14 for deferred outflows of resources related to KIPP's net pension liability and net OPEB liability/asset, respectively.

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**E. Budgetary Process**

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

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by KIPP is pooled in 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 2020, KIPP invested in STAR Ohio. STAR 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 its 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.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**G. Capital Assets**

KIPP's capital assets during fiscal year 2020 consisted of land, land improvements, buildings and building improvements, furniture and equipment, and vehicles. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value. KIPP maintains a capitalization threshold of \$5,000. KIPP does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**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.

**I. Intergovernmental Revenue**

KIPP currently participates in the State Foundation Program, as well as the Student Wellness and Success Program, National School Lunch Program, Charter School Program, Title I, Title II-A, Title VI-B, School Safety Training, and Supporting Effective Educator grant programs. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which KIPP must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to KIPP on a reimbursement basis. Federal and State grant revenue for fiscal year 2020 was \$6,627,575, 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.



**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**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. For fiscal year 2020, this included donated capital assets from the KIPP Columbus Foundation. See Note 2.Q. below for more detail.

**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 2020.

**P. Economic Dependency**

KIPP receives approximately 98.3% 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.

**Q. Related Party Transactions**

Three members of the KIPP Columbus Board are also members of the KIPP Columbus Foundation's Board. The KIPP Columbus Foundation (Foundation) is a separate legal 501 (C) (3) nonprofit corporation. The Foundation's specific purpose shall include, but not be limited to, supporting educational activities of schools in Central Ohio area that are sponsored by or affiliated with the KIPP Foundation, a California public benefit corporation. The Foundation donated materials, supplies and capital assets to KIPP in fiscal year 2020 which had a total acquisition value at the time of donation of \$7,638,556. This consists of materials and supplies (\$35,228) and capital assets (\$7,603,328).

**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.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2020, KIPP has implemented GASB Statement No. 90 "Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61" and GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of KIPP.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2020. Due to the implementation of GASB Statement No. 95, the effective dates of these pronouncements are postponed by one year. KIPP has elected to postpone implementing the following pronouncements until the fiscal year ended June 30, 2021:

- Statement No. 84, *Fiduciary Activities*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all deposits was \$3,490,986 and the bank balance was \$4,033,476. Of the bank balance, \$250,000 was covered by the FDIC and \$3,783,476 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 2020, KIPP's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**B. Investments**

As of June 30, 2020, KIPP had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized Cost:</i>		
STAR Ohio	\$ 4,223,959	\$ 4,223,959

The weighted average maturity of STAR Ohio is approximately 41 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.

*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, 2020, consist of accounts and intergovernmental receivables which represent reimbursements and grants. All receivables are considered collectible in full and are expected to be collected within the subsequent fiscal year.

The intergovernmental receivable of \$385,408 is comprised as follows:

<b>Intergovernmental Receivables:</b>	<u>Amount</u>
National School Lunch Program	\$ 182,463
SERS Refund	4,049
Elementary & Secondary School Emergency Relief	27,910
IDEA - Part B	2,537
Title I	65,322
State Foundation Program	103,127
Total	<u>\$ 385,408</u>

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/20</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 353,500	\$ -	\$ -	\$ 353,500
Total capital assets, not being depreciated	<u>353,500</u>	<u>-</u>	<u>-</u>	<u>353,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	13,276,883	1,531,889	-	14,808,772
Buildings and improvements	52,464,655	6,071,439	-	58,536,094
Furniture and equipment	345,754	61,302	-	407,056
Vehicles	<u>107,372</u>	<u>-</u>	<u>-</u>	<u>107,372</u>
Total capital assets, being depreciated	<u>66,194,664</u>	<u>7,664,630</u>	<u>-</u>	<u>73,859,294</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(728,786)	(280,856)	-	(1,009,642)
Buildings and improvements	(3,089,962)	(1,110,007)	-	(4,199,969)
Furniture and equipment	(97,671)	(64,931)	-	(162,602)
Vehicles	<u>(26,361)</u>	<u>(12,100)</u>	<u>-</u>	<u>(38,461)</u>
Total accumulated depreciation	<u>(3,942,780)</u>	<u>(1,467,894)</u>	<u>-</u>	<u>(5,410,674)</u>
Governmental activities capital assets, net	<u>\$ 62,605,384</u>	<u>\$ 6,196,736</u>	<u>\$ -</u>	<u>\$ 68,802,120</u>

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2020, purchased services expenses were as follows:

Professional and technical services	\$ 1,197,526
Property services	1,047,677
Travel mileage and meetings	53,671
Communications	152,483
Utilities	511,553
Contracted craft or trade	1,638,533
Tuition	200,062
Sponsorship fees	230,118
Pupil transportation services	135,054
Other	<u>242,565</u>
Total	<u>\$ 5,409,242</u>

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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 2020.

	Balance at <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/20</u>	Due Within <u>One Year</u>
Net pension liability	\$ 11,997,628	\$ 2,794,562	\$ -	\$ 14,792,190	\$ -
Net OPEB liability	1,309,544	-	(3,448)	1,306,096	-
Capital leases	232,819	27,502	(59,958)	200,363	67,990
Loans payable from direct borrowing	<u>-</u>	<u>1,960,000</u>	<u>-</u>	<u>1,960,000</u>	<u>867,484</u>
Total long-term obligations	<u>\$ 13,539,991</u>	<u>\$ 4,782,064</u>	<u>\$ (63,406)</u>	<u>\$ 18,258,649</u>	<u>\$ 935,474</u>

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

*Capital leases:* KIPP has entered into copier lease agreements which meet the criteria for reporting as capital leases. Capital assets consisting of equipment have been capitalized in the amount of \$338,309, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal and interest payments in fiscal year 2020 were \$59,958 and \$10,278, respectively. Accumulated depreciation on the equipment at June 30, 2020 was \$137,322, leaving a book value of \$200,987.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 76,464
2022	62,208
2023	41,016
2024	32,319
2025	<u>6,228</u>
Total minimum lease payments	218,235
Less: amount representing interest	<u>(17,872)</u>
Total	<u>\$ 200,363</u>

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*Loans payable:* On April 22, 2020, KIPP entered into an agreement with The Huntington National Bank in the amount of \$1,960,000 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan is considered a direct borrowing. Direct borrowings have terms negotiated between the borrower and the lender and are not offered for public sale. The loan carries an interest rate of 1% and has a maturity date of April 22, 2022. Forgiveness of the loan is available for principal that is used for the limited purposes that qualify for forgiveness under SBA requirements, and in order to obtain forgiveness, KIPP must request it and must provide documentation in accordance with the SBA requirements. KIPP intends to comply with all requirements so that the full amount of the loan may be forgiven.

The following is a schedule of the future payments due on the loan, assuming none of the loan is forgiven:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 867,484	\$ 10,540	\$ 878,024
2022	1,092,516	5,014	1,097,530
Total	<u>\$ 1,960,000</u>	<u>\$ 15,554</u>	<u>\$ 1,975,554</u>

**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 \$230,118 in sponsorship fees for fiscal year 2020, 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 2020 to provide payroll, fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. KIPP paid the ESCCOG \$135,840 in service fees for fiscal year 2020, 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 2020, 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.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

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

**KIPP COLUMBUS  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the KIPP is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

KIPP's contractually required contribution to SERS was \$377,233 for fiscal year 2020. Of this amount, \$11,130 is reported as an intergovernmental payable.

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

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



**KIPP COLUMBUS  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. KIPP was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

KIPP's contractually required contribution to STRS was \$1,191,787 for fiscal year 2020. Of this amount, \$77,739 is reported as an intergovernmental payable.

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FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

***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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. KIPP 's proportion of the net pension liability was based on KIPP 's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05005000%	0.04152844%	
Proportion of the net pension liability current measurement date	<u>0.05599700%</u>	<u>0.05173910%</u>	
Change in proportionate share	<u>0.00594700%</u>	<u>0.01021066%</u>	
Proportionate share of the net pension liability	\$ 3,350,399	\$ 11,441,791	\$ 14,792,190
Pension expense	\$ 976,459	\$ 3,484,740	\$ 4,461,199

At June 30, 2020, KIPP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 84,959	\$ 93,154	\$ 178,113
Changes of assumptions	-	1,344,058	1,344,058
Difference between employer contributions and proportionate share of contributions/change in proportionate share	310,239	3,685,704	3,995,943
Contributions subsequent to the measurement date	<u>377,233</u>	<u>1,191,787</u>	<u>1,569,020</u>
Total deferred outflows of resources	<u>\$ 772,431</u>	<u>\$ 6,314,703</u>	<u>\$ 7,087,134</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 49,528	\$ 49,528
Net difference between projected and actual earnings on pension plan investments	<u>43,006</u>	<u>559,213</u>	<u>602,219</u>
Total deferred inflows of resources	<u>\$ 43,006</u>	<u>\$ 608,741</u>	<u>\$ 651,747</u>

**KIPP COLUMBUS  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$1,569,020 reported as deferred outflows of resources related to pension resulting from KIPP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 340,346	\$ 2,197,502	\$ 2,537,848
2022	(9,681)	1,307,282	1,297,601
2023	(2,862)	555,983	553,121
2024	24,389	453,408	477,797
Total	<u>\$ 352,192</u>	<u>\$ 4,514,175</u>	<u>\$ 4,866,367</u>

***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, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	1% Decrease	Current Discount Rate	1% Increase
KIPP's proportionate share of the net pension liability	\$ 4,695,106	\$ 3,350,399	\$ 2,222,693

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Sensitivity of KIPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents KIPP 's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what KIPP 's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KIPP's proportionate share of the net pension liability	\$ 16,720,903	\$ 11,441,791	\$ 6,972,752

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

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

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

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

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FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

Health Care Plan Description - KIPP contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, 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, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, KIPP's surcharge obligation was \$19,249.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. KIPP's contractually required contribution to SERS was \$19,249 for fiscal year 2020. This entire amount is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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, 2020, 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, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. KIPP 's proportion of the net OPEB liability/asset was based on KIPP 's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.04720320%	0.04152844%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05193660%</u>	<u>0.05173910%</u>	
Change in proportionate share	<u>0.00473340%</u>	<u>0.01021066%</u>	
Proportionate share of the net OPEB liability	\$ 1,306,096	\$ -	\$ 1,306,096
Proportionate share of the net OPEB asset	\$ -	\$ 856,923	\$ 856,923
OPEB expense	\$ 112,119	\$ (143,735)	\$ (31,616)



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

At June 30, 2020, KIPP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 19,173	\$ 77,686	\$ 96,859
Net difference between projected and actual earnings on OPEB plan investments	3,134	-	3,134
Changes of assumptions	95,395	18,012	113,407
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	171,133	538,691	709,824
Contributions subsequent to the measurement date	<u>19,249</u>	<u>-</u>	<u>19,249</u>
Total deferred outflows of resources	<u>\$ 308,084</u>	<u>\$ 634,389</u>	<u>\$ 942,473</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 286,941	\$ 43,598	\$ 330,539
Net difference between projected and actual earnings on OPEB plan investments	-	53,819	53,819
Changes of assumptions	<u>73,192</u>	<u>939,516</u>	<u>1,012,708</u>
Total deferred inflows of resources	<u>\$ 360,133</u>	<u>\$ 1,036,933</u>	<u>\$ 1,397,066</u>

\$19,249 reported as deferred outflows of resources related to OPEB resulting from KIPP contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (15,302)	\$ (85,935)	\$ (101,237)
2022	(11,450)	(85,933)	(97,383)
2023	(10,532)	(64,364)	(74,896)
2024	(10,682)	(56,796)	(67,478)
2025	(15,035)	(121,780)	(136,815)
Thereafter	<u>(8,297)</u>	<u>12,264</u>	<u>3,967</u>
Total	<u>\$ (71,298)</u>	<u>\$ (402,544)</u>	<u>\$ (473,842)</u>

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

***Sensitivity of KIPP's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 1,585,353	\$ 1,306,096	\$ 1,084,054

  

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 1,046,448	\$ 1,306,096	\$ 1,650,587

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased 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.

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

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*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, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
KIPP's proportionate share of the net OPEB asset	\$ 731,214	\$ 856,923	\$ 962,616
	1% Decrease	Current Trend Rate	1% Increase
KIPP's proportionate share of the net OPEB asset	\$ 971,712	\$ 856,923	\$ 716,336

**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, 2020.

**B. Federal and State Funding**

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

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed such a review on KIPP for fiscal year 2020.

ODE finalized the Foundation funding on November 27, 2020 and as a result there was no material impact to State Foundation funding as it relates to KIPP.

In addition, KIPP's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2020 financial statements, related to additional reconciliation necessary with this contract, is not determinable. Management believes this may result in either an additional receivable to, or liability of, KIPP.

**C. Litigation**

KIPP is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2020.

**D. Unasserted Claims**

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

**NOTE 17 - TAX EXEMPT STATUS**

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

**NOTE 18 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of KIPP. KIPP's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on KIPP's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KIPP's proportion of the net pension liability	0.05599700%	0.05005000%	0.04709980%	0.04061010%
KIPP's proportionate share of the net pension liability	\$ 3,350,399	\$ 2,866,456	\$ 2,814,109	\$ 2,972,285
KIPP's covered payroll	\$ 1,958,489	\$ 1,592,319	\$ 1,596,971	\$ 1,276,693
KIPP's proportionate share of the net pension liability as a percentage of its covered payroll	171.07%	180.02%	176.22%	232.81%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02828510%	0.01826800%	0.01826800%
\$ 1,613,975	\$ 924,533	\$ 1,086,339
\$ 851,525	\$ 530,844	\$ 434,942
189.54%	174.16%	249.77%
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 SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KIPP's proportion of the net pension liability	0.05173910%	0.04152844%	0.03475238%	0.02563444%
KIPP's proportionate share of the net pension liability	\$ 11,441,791	\$ 9,131,172	\$ 8,255,502	\$ 8,580,620
KIPP's covered payroll	\$ 6,160,250	\$ 4,770,286	\$ 3,904,871	\$ 2,735,829
KIPP's proportionate share of the net pension liability as a percentage of its covered payroll	185.74%	191.42%	211.42%	313.64%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02001816%	0.01373600%	0.01373600%
\$ 5,532,434	\$ 3,341,109	\$ 3,979,908
\$ 2,132,679	\$ 1,403,454	\$ 1,417,977
259.41%	238.06%	280.68%
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			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 377,233	\$ 264,396	\$ 214,963	\$ 223,576
Contributions in relation to the contractually required contribution	<u>(377,233)</u>	<u>(264,396)</u>	<u>(214,963)</u>	<u>(223,576)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP's covered payroll	\$ 2,694,521	\$ 1,958,489	\$ 1,592,319	\$ 1,596,971
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 178,737	\$ 112,231	\$ 73,575	\$ 60,196	\$ 26,208	\$ 36,739
<u>(178,737)</u>	<u>(112,231)</u>	<u>(73,575)</u>	<u>(60,196)</u>	<u>(26,208)</u>	<u>(36,739)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,276,693	\$ 851,525	\$ 530,844	\$ 434,942	\$ 194,855	\$ 292,275
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**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			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,191,787	\$ 862,435	\$ 667,840	\$ 546,682
Contributions in relation to the contractually required contribution	<u>(1,191,787)</u>	<u>(862,435)</u>	<u>(667,840)</u>	<u>(546,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP's covered payroll	\$ 8,512,764	\$ 6,160,250	\$ 4,770,286	\$ 3,904,871
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 383,016	\$ 298,575	\$ 182,449	\$ 184,337	\$ 166,117	\$ 107,942
<u>(383,016)</u>	<u>(298,575)</u>	<u>(182,449)</u>	<u>(184,337)</u>	<u>(166,117)</u>	<u>(107,942)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,735,829	\$ 2,132,679	\$ 1,403,454	\$ 1,417,977	\$ 1,277,823	\$ 830,323
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KIPP's proportion of the net OPEB liability	0.05193660%	0.04720320%	0.04414050%	0.03773137%
KIPP's proportionate share of the net OPEB liability	\$ 1,306,096	\$ 1,309,544	\$ 1,184,615	\$ 1,075,484
KIPP's covered payroll	\$ 1,958,489	\$ 1,592,319	\$ 1,596,971	\$ 1,276,693
KIPP's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.69%	82.24%	74.18%	84.24%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KIPP's proportion of the net OPEB liability/asset	0.05173910%	0.04152844%	0.03475238%	0.02563444%
KIPP's proportionate share of the net OPEB liability/(asset)	\$ (856,923)	\$ (667,320)	\$ 1,355,910	\$ 1,370,937
KIPP's covered payroll	\$ 6,160,250	\$ 4,770,286	\$ 3,904,871	\$ 2,735,829
KIPP's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.91%	13.99%	34.72%	50.11%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 19,249	\$ 15,954	\$ 17,597	\$ 7,152
Contributions in relation to the contractually required contribution	<u>(19,249)</u>	<u>(15,954)</u>	<u>(17,597)</u>	<u>(7,152)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP's covered payroll	\$ 2,694,521	\$ 1,958,489	\$ 1,592,319	\$ 1,596,971
Contributions as a percentage of covered payroll	0.71%	0.81%	1.11%	0.45%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 4,408	\$ 8,265	\$ 1,447	\$ 3,869	\$ 1,030	\$ 1,997
<u>(4,408)</u>	<u>(8,265)</u>	<u>(1,447)</u>	<u>(3,869)</u>	<u>(1,030)</u>	<u>(1,997)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,276,693	\$ 851,525	\$ 530,844	\$ 434,942	\$ 194,855	\$ 292,275
0.35%	0.97%	0.27%	0.89%	0.53%	0.68%

**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			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KIPP's covered payroll	\$ 8,512,764	\$ 6,160,250	\$ 4,770,286	\$ 3,904,871
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 13,821	\$ 13,167	\$ 11,866	\$ 7,710
-	-	(13,821)	(13,167)	(11,866)	(7,710)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,735,829	\$ 2,132,679	\$ 1,403,454	\$ 1,417,977	\$ 1,277,823	\$ 830,323
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)



**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of 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%.

*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 increase 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.

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

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**KIPP COLUMBUS  
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	\$ 315,800
COVID-19 National School Breakfast Program	10.553	N/A	\$ 266,617
Total National School Breakfast Program			<u>\$ 582,417</u>
National School Lunch Program	10.555	N/A	\$ 448,289
COVID-19 National School Lunch Program	10.555	N/A	\$ 424,066
Non-Cash Assistance:			
National School Lunch Program	10.555	N/A	163,685
Total National School Lunch Program			<u>1,036,040</u>
Total Child Nutrition Cluster			<u>1,618,457</u>
Total U.S. Department of Agriculture			<u><b>1,618,457</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	428,843
Special Education Preschool Grants	84.173	N/A	1,384
Total Special Education Cluster			<u>430,227</u>
Title I Grants to Local Educational Agencies	84.010	N/A	1,261,894
Improving Teacher Quality State Grants	84.367	N/A	162,103
Student Support and Academic Enrichment Program	84.424	N/A	64,902
Education Stabilization Fund	84.425D	N/A	<u>26,821</u>
Total U.S. Department of Education			<u><b>1,945,947</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 3,564,404</b></u>

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

**KIPP COLUMBUS  
FRANKLIN COUNTY**

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

**FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020. 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 Uniform Guidance 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 the fair value. KIPP allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

# OHIO AUDITOR OF STATE KEITH FABER



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## 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 City Gate Drive  
Columbus, Ohio 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of KIPP Columbus, Franklin County, (KIPP) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements and have issued our report thereon dated March 17, 2021 wherein we also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of KIPP.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of KIPP's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 17, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program***

We have audited KIPP Columbus's (KIPP) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect KIPP Columbus's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies KIPP's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, KIPP Columbus complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 17, 2021



**KIPP Columbus  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
----------------------------------------

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
-------------------------------------------------------------------------------------------------------------

None.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
------------------------------------------------------------

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 4/13/2021**

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)